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# East Europe Report

ECONOMIC AND INDUSTRIAL AFFAIRS

No. 2199



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# EAST EUROPE REPORT

## ECONOMIC AND INDUSTRIAL AFFAIRS

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GDR-CUBAN RELATIONS REVIEWED

East Berlin HORIZONT in German Vol 14 No 39, 1981 (signed to press 21 Sept 81) p 22

[Article by Volker Grimm: "GDR Solidly on Cuba's Side--Profitable Economic Cooperation"]

[Text] For more than 20 years, close cooperation in a wide variety of areas has been developing between the GDR and the Republic of Cuba. The May 1980 friendship visit by the GDR party and government delegation, headed by Erich Honecker, initiated a new chapter in relations between the two countries. With conclusion of the Treaty on Friendship and Cooperation, a stable foundation for the further expansion of bilateral cooperation has been created.

GDR--Cuba's Second-Largest Trading Partner

The GDR is today not only Cuba's second-largest trading partner; the cooperation between our two countries already encompasses all areas of social life. Effective GDR support in the expansion of several branches of industry is as much responsible for it as the training of cadre and of Cuban workers in the GDR.

Cuba also participates in numerous multilateral CEMA agreements and programs on cooperation in important areas. Its active collaboration strengthens the country's economic potential. At the same time, its exports are of great importance for several fraternal countries.

At present, the nickel combine's building site on the country's northeast coast is the most important object of this multilateral cooperation in Cuba. Upon its completion, Cuba, with an annual production of more than 100,000 tons, will occupy a top position in world production and world export of high quality cobalt nickel. The socialist countries will be among the main customers.

Otherwise, the long-term agreements on cooperation in the expansion and modernization of Cuba's sugar industry, the construction of eight new factories, the irrigation of sugar cane fields and the mechanization of harvests are establishing prerequisites for the increasing fulfillment of the sugar needs of the community of socialist countries.

The close and fruitful relations between the GDR and Cuba found appreciation also during Erich Honecker's most recent visit to Havana. On that occasion, both states-

men deemed the level of economic and scientific-technical cooperation that has been reached a vital factor for the development of their countries' economies as well as a contribution to the intensification of socialist economic integration.

It is certain beyond a doubt that bilateral cooperation on important objects of Cuban investment--for instance in the cement and ceramics industry, as well as increased reciprocal deliveries--is the result of close economic ties that are to the mutual advantage of both countries. Thus, for instance, the "Second Party Congress" ceramics factory has been able to begin full operations, and the furnace of the third and last production line at the "Karl Marx" cement factory in Cienfuegos could be lit at the beginning of this past July--each an object of GDR-Cuban teamwork.

Joint projects in the areas of sugar production, the production and processing of citrus fruits, metallurgy and other branches that are being carried out within the framework of CEMA's multilateral programs are also contributing to the increased efficiency and effectiveness of the GDR and Cuban economies and to the steady improvement of the workers' material living conditions in both countries.

#### Agreements on Laboratory Technology

One example of the close cooperation between the two states in the most varied areas is the special sector of laboratory and medical technology. Just last year, the GDR and Cuba signed further agreements between the two states which make it possible for the island republic to import such technology from the GDR also during the current five-year plan period.

The realization that the tempo of scientific-technical progress depends essentially on the effectiveness of the country's education and research facilities induced Cuba to accord special importance to the practical application of teaching and research. For this reason, numerous laboratories have been built at the country's educational centers during the past 5 years. They are equipped with general technical implements (basic laboratory (equipment such as jolt-machines, mechanical shakers, sifting machines, agitators, Bunsen burners and small lab tools (clamps, pliers, holders, lab glass, etc.), as well as top-quality scientific-technical products such as lab centrifuges, standing and table centrifuges, lab freeze-dry installations, glass exhaust ventilators and microscopes.

#### High Quality Demanded

According to Cuban party and government decrees, the construction, management and control of all the country's education facilities fall under the jurisdiction of the Ministries for Education and Higher Education. This means, among other things, that the ministries referred to are obligated to provide their institutions also with complete laboratories and lab equipment. For this, to a great extent, imports are necessary.

# CUBA'S INSTITUTIONS OF HIGHER EDUCATION

	<u>1975/76</u>	<u>1976/77</u>	<u>1977/78</u>	<u>1978/79</u>	<u>1979/80</u>
Institutions of higher education, total	5	28	32	35	38
Including:					
Universities	4	4	4	4	4
Higher-education institutes	-	20	20	22	25
Other higher-education facilities	1	4	8	9	9

Source: Ministry for Higher Education of the Republic of Cuba

Cuban demands in regard to quality and assortment of products to be imported are very high. For its laboratory and medical technology, Cuba wants comprehensive solutions from her partners, and this demands a conscientious selection of the most appropriate technology and equipment that also offers the necessary safety.

In its Medical and Laboratory Technology combine, the GDR possesses a specialized enterprise which has at its disposal the necessary capacities, knowledge and experience in this area.

Once export deliveries were begun, GDR customer service engineers simultaneously began to instruct and train Cuban service technicians so as to assist the country in overcoming the still prevailing skilled-worker shortage.

In the long years of varied cooperation between the GDR and the first socialist state on the American continent, this fact has become documented: GDR workers stand solidly on the side of the Cuban people because their successes in the struggle to build socialism, against imperialism and against war, are also our successes.

From the Chronicle of GDR/Cuban Relations

12 January 1963--Establishment of diplomatic relations

May/June 1972--Fidel Castro visits several European CEMA countries, among them the GDR.

20-26 February 1974--Visit to Cuba of a GDR party and government delegation headed by Erich Honecker, and joint signing of a declaration on strengthening friendship and intensifying cooperation between the GDR and the Republic of Cuba

2-4 April 1977--Trip to the GDR by a Cuban party and state delegation headed by Fidel Castro

28 May to 1 June 1980--Visit to Cuba by a GDR party and state delegation headed by Erich Honecker and signing of the Treaty on Friendship and Cooperation between the GDR and the Republic of Cuba

13 September 1981--Meeting between Erich Honecker and Fidel Castro in Havana

## Cuban Solidarity

Cuban specialists, among other things, are rendering solidarity assistance to the following countries: Afghanistan, Algeria, Angola, Equatorial Guinea, Guyana, Ethiopia, Benin, Grenada, Guinea, Guinea-Bissau, Iraq, Jamaica, Kampuchea, Cape Verde, Laos, Libya, Madagascar, Mali, Mozambique, Nicaragua, Panama, Sao Tome and Principe, Tanzania, People's Democratic Republic of Yemen, Vietnam, People's Republic of the Congo.

As of 1980, no fewer than 2000 Cuban physicians and other medical personnel were working in 20 Asian, African and Caribbean countries.

In construction, 5,000 Cuban specialists were placed in 10 African, Asian and Latin American developing countries.

In 11 African and Latin American countries, 10,000 Cuban teachers were giving support to the national educational system (in 1980, 1,000 Cuban teachers were working in Nicaragua alone)

In 1978, Cuba awarded scholarships to 5,000 students from friendly countries for study at Cuban universities and advanced and technical schools.

9011

CSO: 2300/12

## MANAGERS' APPROACH TO CEMA COOPERATION CRITICIZED

[Editorial Report] AUI71640 Bratislava Pravda in Slovak on 15 October 1981 on page 6 carries a 3,000-word "PA"-signed article, entitled "have we grasped the importance of cooperation?" In its opening passage, the article deals at length with the advantages of cooperation with socialist countries," and the Soviet Union in particular," for the Czechoslovak economy and with the importance of socialist economic integration as the "only" way of ensuring an intensive development of the socialist countries' economies. It goes on to say: "For a long time the CPCZ has been mobilizing ranking personnel in all areas of our economic life to pursue such cooperation so far. Not everyone has grasped the vital need for integration. On encountering the first obstacle, our people often balk and retreat--perhaps out of lack of knowledge, perhaps out of complacency, perhaps out of subjective but also objective reasons. But even objective reasons must not bring this process to a halt. It is possible to seek and to find solutions even to them, because the grand and revolutionary nature of this task requires a revolutionary approach on the part of the planners and managers of ministries, economic production units, enterprises, work collectives as well as party organizations.

The article goes on to point out that prerequisites for more intensive cooperation with the Soviet Union do exist and refers in this context to the coordination of the two countries' 5-year plans and to the long-term Czechoslovak-Soviet agreement on promoting specialization and production-sharing, signed in Prague in March 1980. It then states: "It would seem that after the signing of the bilateral agreements with the USSR, all-round cooperation should go full steam ahead. However, reality shows that not in all cases where there are conditions for specialization and production-sharing do the ministries, economic production units, enterprises and organizations approach their materialization with full responsibility, with the endeavor to organize, ensure and solve something. Some time ago even the CPSL Central Committee presidium dealt in detail with those issues. It noted that the demands for drawing up comprehensively substantiated concepts of Czechoslovak organizations' involvement in socialist economic integration are being met only slowly and inconsistently. The results of an investigation that has been carried out have shown that the extent of cooperation, especially with the USSR, corresponds neither to our economy's needs nor to the individual economic organizations' possibilities. Many production sectors have not worked out in the requisite quality their concepts of socialist economic integration, including alternative solutions. Nor is the central economic bodies' coordinating and managerial activity in this area sufficient. The initiative of the economic managements of plants, enterprises and organizations, too, has not reached the requisite level and party organizations do not always encourage this initiative."



In the subsequent passage, the article cites examples of concrete proposals for Slovak enterprises' cooperation with Soviet partners, proposals that have not been implemented owing to the managements' or higher economic bodies' "insufficient activity." These examples are contrasted with the case of the ZTS [Heavy Engineering Works] economic production unit with headquarters in Martin, which increased the share of exports in its overall production from 37.4 percent in the 1971-1975 period to 71 percent in the years 1976-1980, with the bulk of these exports going to the USSR, within the framework of production-sharing. However, such positive examples are rare, according to the article, the "prevailing trend" being a "very low" growth in the Slovak enterprises' involvement in the integration process. Among the obstacles are also, according to the article, "production in small series, the production's poor technological standard, as well as the price setting for raw materials and components. That is reflected, for example, in the organizations' unprofitable exports of electronic durables where, as a consequence, scientific-technical cooperation with the USSR is at a low level. This is a task for supra-enterprise and central bodies, which should resolve these problems in keeping with the set of measures for improving the planned management system of the national economy."

Summing up, the article stresses once again that "our production's and our economy's further development is unthinkable without our integration in the international division of labor." Therefore, "the ranking economic personnel must approach more courageously and resolutely our national economy's involvement in [the socialist economic] integration: must make an initiative-filled use of all possibilities for more broadly developing economic cooperation with the USSR, mutual imports and exports, scientific-technical cooperation and specialization and production-sharing; and thereby create the resources necessary to cover the imports of raw and other materials and energy."

CSO: 2400/47

## DEPUTY MINISTER DESCRIBES CSR'S AGRICULTURAL MALADIES

Bratislava EKONOMIKA POĽNOHOSPODARSTVA in Czech No 9, Sep 81 pp 385-387

[Article by Eng Josef Martinek, cand sci, deputy minister for Agriculture and Food of the CSR: "Resolutions of the 16th CPCZ Congress--Our Program, Our Goal"]

[Text] "Keep securing the high level attained in consumption of nutrients...." (Key Orientations of Economic and Social Development of the CSSR for the Years 1981-1985).

The quotation from Key Orientations of Economic and Social Development of the CSSR for the Years 1981-1985, adopted by the 16th CPCZ Congress, is concise, but expresses in a nutshell the key goal of the agricultural and food production complex for the next five-year period. It is a matter of common knowledge that in worldwide comparison we occupy a leading position in the level of consumption of main nutrients. Thus, e.g., per capita meat consumption is currently approaching 90 kg per year, annual sugar consumption is approximately 39 kg and consumption of milk and dairy products is approaching 240 liters. Supply of nutrients for the domestic market is relatively smooth in volume as well as in the quality of food products. The results achieved by the agricultural and food production complex receive just recognition of our society.

## Self-sufficiency Is a Strategic Necessity

It is imperative that we objectively analyze the existing approaches by means of which those results were attained. Even if we do give a certain amount of consideration to the well-known fact that development of agricultural production over the last several years was accompanied by considerable fluctuations in plant production due to climatic conditions, we are very often using this excuse even in cases when it is within our means to at least partially eliminate these effects. In final analysis, this is clearly borne out by the considerable differences in the results attained by enterprises operating under comparable production and economic conditions. On the other hand, we must not close our eyes to the fact that the good results obtained in animal production accrue to a considerable extent to extraordinary imports of fodders, particularly grain, made in the course of the previous five-year plan. However, increasing our self-sufficiency in food production calls for guaranteed

implementation of dynamic growth without imports depleting our foreign exchange resources. This task is coming more and more to the fore in connection with the increasing strategic importance of nutrients on the world's markets. Dependency on imports is for us not only economically taxing, but in the near future it could become utterly unrealistic from the viewpoint of availability of sources. This endows tasks in development of agricultural production with an unequivocally political orientation. All challenging goals will have to be set, assessed and implemented from this aspect.

Gross agricultural production attained in the CSR during 1976-1980 amounted to Kcs 336.9 billion (in prices valid as of 1 Jan 1980). For the Seventh Five-Year Plan we envision a production increase by approximately Kcs 30 billion. Two-thirds of that amount, i.e., Kcs 20 Billion, are to be provided by an increase in plant production. This calls for attaining an approximately 3 percent annual increment in plant production with basic restructuring of the overall increase in agricultural production. Up to now the share of animal and plant production in the growth of gross agricultural production has been more or less the reverse of what it should have been, with plant production accounting for less than one-third.

#### Grain Problem and Fodder Balance

Only a more dynamic growth of plant production can be conducive to achieving proportionality in agricultural production as a whole. Proportionality between basic branches of agricultural production is most commonly assessed on the basis of fodder balance. Assessment of balances must not overestimate or underestimate either one or the other basic group of fodders. While a certain measure of mutual substitution is possible, it has its physiological, technological and economic limits. For this reason mutual proportionality must be maintained and respected.

Yet, some opinions have been voiced lately that must be labeled as economically naive and politically poorly conceived. They involve attempts to make increases in production of bulk fodders contingent on reductions in the production of cereals. The problem is often presented in the light that meeting of the demand for cereals (human nutrition, seed grain and fodder) is an "obligation" of society, or "obligation" of other agricultural enterprises, districts and regions. In this concept the proportionality of agricultural production is narrowed down to merely the proportionality between animal production and bulk fodders and overall proportionality is lost.

In the coming period we cannot rely on society to discover adequate sources for importation of grain fodder. Our task is to produce the attainable maximum and use the production economically in all spheres of consumption. Resolutions of the 16th congress clearly quantify this task: produce an annual average of 11 million tons of grain (of which approximately 7.3 million tons in the CSR). It is no easy task, but its implementation is realistic if we assume that all enterprises and every worker will meet their social responsibility. About 9-percent of the production increase must be implemented by increasing the amount of yield, i.e., attaining approximately the current level of yield per hectare of the GDR.



Development of the grain-growing sector is and shall remain the key task of our agriculture. Attainment of self-sufficiency in cereals is the basic long-term strategic goal. Its attainment calls for focusing attention on all sectors. And it stands to reason that what is involved is not merely grain production per se, but efficiency throughout the entire chain of consumption and utilization. We are far from having exhausted all resources in this respect.

Closely connected to the grain problem is production of bulk fodders. We are currently devoting to their production in the CSR more than 1 million hectares of arable land and 800,000 hectares of permanent grasslands, i.e., a total of 1.9 million hectares of farm land, i.e., 42.5 percent of total acreage. This represents 0.54 hectare of fodder plants per head of horned cattle. If we supplement the above by fodders obtained from production of sugarbeet, intermediate staples and straw, we cannot agree with the contention that our acreage of fodder plants and production of bulk fodders is inadequate. The point is what use we make of this production now and how ill we manage it in the next period.

The basic unused resources lie in utilization of permanent grasslands. Providing nutrition for horned cattle only in the form of fodders from arable land (as occurs often even in regions with considerable expanses of meadows and pasture land) strains the limits of social effectiveness and tolerance. A simple example to facilitate comparison: at the current level of yield per hectare we produce approximately 1 ton of live weight of hogs for slaughter per 1 hectare of grain, the same applying to poultry for slaughter. However, to produce 1 ton of live weight of horned cattle for slaughter we need, in addition to the 0.5 hectare of grain, also approximately 37 tons of green bulk fodders, i.e., approximately 1 hectare of arable land. But social efficiency of horned cattle breeding increases sharply with maximum utilization of permanent grasslands. Even though this example is something of a simplification, it does point out the need for maximum utilization of meadows and pasturelands for production of bulk fodders and utilization of by-products from root crops and intermediate staples. Room for further expansion of sowing fodder plants for all practical purposes is not available now and will remain so in the coming years.

In addition to the considerable potential hidden in increasing the yield of annual and perennial fodder grasses we must realize that sources of fodder cut down on the disproportionately high losses incurred in harvesting, conservation and in feeding itself. Low quality has adverse effects on conservation of fodders and indirectly affects their consumption. Measures to be taken in this area must be determined and implemented at all levels of management.

Results attained to date in production of technical and special plants are not satisfactory. It is particularly the high variability in production volumes and quality that adversely affects the results obtained by the processing industry and becomes directly reflected in supplies for the populace as well as in the external relations of that industrial branch. There is also evidence of some irresponsible approaches to planning and implementing their production. For example, in the case of sugarbeets, flax, potatoes and some other produce

there are very frequent attempts to overestimate hectare yields in planning which becomes reflected in allocation of acreage for sowing and constitutes one of the causes of failure to meet the planned quota. Such an approach cannot be labeled in any other way than being socially irresponsible and if such attempts should recur some strict conclusion will have to be drawn.

In the Seventh Five-Year Plan we envision stagnation in planned procurement of sugarbeets, potatoes and flax at the level planned for previous years. In the case of sugarbeets and flax, however, the goals of the Sixth Five-Year Plan failed to be met. For that reason, on the basis of the actual results achieved over the last five-year period, the planned goals have been marked up by 15-16 percent. A significant contribution to improvement of external relations is made by production of oleaginous plants. The dynamic increase in procurement of rape-seed by more than one-half in comparison to the Sixth Five-Year Plan must be secured by both an increased yield and an expansion of the crop acreage. The quality of all technical plants must be substantially improved and measures toward this end are being taken in agronomical engineering, post-harvest processing and storage.

Procurement of fruit and vegetables is to increase in comparison to the actual state prevalent during the Sixth Five-Year Plan by 25-30 percent and that of hops by approximately 19 percent. Existing implementation of concepts in developing the production of special plants is not commensurate to the importance and position occupied by these products. In addition to objective causes it is also affected by subjective shortcomings and low efficiency in controlling the development of these branches.

#### Structure of Animal Production

As has already been stated, the level of consumption of nutrients of animal origin in this country is very high. This level must be maintained in regards to volume and substantially improved in regards to quality, assortment, durability and nutritional value of these products. And this is not a matter of concern only to the processing industry, these requirements must be met with the participation of primary agricultural production.

Development of horned cattle breeding stands unequivocally in the forefront. The results attained over the past several years are not commensurate to the potential and tradition of our stock breeding. Procurement of horned cattle, to include calves, for slaughter increased in the CSR during the Sixth Five-Year Plan by only 5 percent with a live stock growth of 9.2 percent. If in 1975 we bought per 1 head of live stock of horned cattle 150 kg of live weight of horned cattle and calves, then at the conclusion of the Sixth Five-Year Plan it was only 142 kg of live weight. This is an indication of the predominantly extensive rather than intensive nature of development of horned cattle breeding.

This calls for an accelerated search for ways and methods for a reversal to an intensive breeding of herds. It requires devoting more attention and effort to upgrading the utility value of all categories of horned cattle, more systematically adhering to principles of breeding and raising stock, mastering and adopting methods of socialist large-scale production in breeding of horned

cattle, making use of scientific methods of animal nutrition, improving technique and technology of feeding, to include cutting down on losses of fodder in the entire chain. Basic trends in developing production of bulk fodders were already outlined above.

We must forewarn that there will not be any room in the course of the Seventh Five-Year Plan for increasing herds of horned cattle at the rates prevalent in the years past (during the Sixth Five-Year Plan livestock herds increased in the CSR by almost 300,000 heads). Neither will there be similar opportunities in the area of capital investment, i.e., acquisition of new capacities, nor in expansion of the fodder base. It ought to be emphasized that increasing of herds tends to dilute sources of fodder by increased demand on reserve rations. This causes an imbalance between supply and demand for fodder and exerts pressure in reverse on expansion of sowing of fodder plants on arable land. Thus, increasing of livestock herds cannot be viewed as the path to follow in an effort to achieve an approximately 11 percent increase in procurement of horned cattle for slaughter.

Still underestimated in the socialist sector remains sheep breeding. Its expansion would promote full utilization of acreage not suitable for mechanized harvesting or horned cattle pastures. At the same time mutton could help to add variety to the assortment of meat on the domestic market.

The emphasis in keeping of monogastric animals is primarily on efficient use of nutritive fodders. As has already been indicated, sources of nutritive fodders are limited. No substantial increases are contemplated in the production of hogs and poultry for the Seventh Five-Year Plan. The more effort will have to be concentrated therefore on improving the utility of animals in general and lowering the rated consumption of fodders in particular.

Resolutions of the 16th party congress put emphasis on creating conditions for continued development of domestic animal keeping on privately farmed land in cooperatives and state farms and by small keepers and breeders. Over the past 2 years a lot has been accomplished in development of contractual fattening. Increase in procurement of horned cattle for slaughter from contractual fattening accounted in 1980 for the entire increment in procurement in the CSR. In the course of the Seventh Five-Year Plan we expect to procure in this form approximately 20,000 heads of horned cattle ready for slaughter. That represents a significant contribution to meeting of procurement goals. It is imperative that all levels of management, to include the enterprise sphere, create conditions conducive to development of contractual fattening.

#### Orientation of Investments

In the area of replacement of capital assets we expect that the overall volume of services and deliveries for capital construction will remain approximately at the actual level of the Sixth Five-Year Plan, i.e., for CSR agriculture at approximately Kcs 48 billion. However, the internal structure of investments will have to be changed in favor of machinery and facilities which represent a more effective component in replacement of capital assets. Their share in the overall volume increased from 45.1 percent in the Sixth Five-Year Plan to 46.9 percent.

Allocations for specific investment programs must be deliberate and effective. Priority will be given to development of plant production, primarily to projects designed to improve the yield of agricultural land resources (irrigation and soil improvement, replanting, agrochemical plants), development of special plants (planting of orchards and hopfields, greenhouses, foil-screened cultivators, storage facilities and post-harvest lines), projects designed to cut down losses (bulk fodder, potato and grain storage facilities) and improve keeping agricultural equipment ready for operation (repair shops, maintenance and repair centers). In animal production priority will be assigned to construction of capacities for horned cattle keeping. Priority will be given to incorporation into the plan of projects using standard type and reproducible designs, light constructions, projects demonstrating a high degree of efficiency, cutting down on construction time and lowering budgetary expenses per unit of capacity, overhaul and modernization.

#### Comprehensive Approach to Improving the Planned Management System

Further improvements are being made in the planned management system of agriculture to create a favorable economic atmosphere for meeting its challenging goals. The new system comes into effect on 1 Jan 1982. In view of the fact that wider attention will have to be paid to these important measures in the coming issues of the periodical EKONOMIKA POLNOHOSPODARSTVA, I shall confine my comments only to its basic features.

Improvement of the planned management system calls for comprehensive systemic measures in planning, economy, to include modification of economic tools and channeling the system of incentives. It is based on Leninist principles of management and applies them to the conditions of our agriculture while drawing on experiences of fraternal socialist countries and positive aspects made use of in the past periods. The objective is attainment of higher flexibility in management of agricultural production, providing of higher motivation for increasing production and making it more efficient, while allowing for a full functioning of the intraplant and enterprise khozraschet [cost accounting system].

To be truly comprehensive, the improvement is not limited to agriculture and the agricultural complex alone, but includes problems of mutual proportions within the entire agroindustrial complex, i.e., planned channeling of agricultural relations to the supplier - user branches of the national economy. Within the agricultural branch it involves further improvements of proportionality among individual components of the plan while reducing the latter's demands on administration, as well as a stepped up utilization of computer technology. Substantially enhanced is also the role of democratic centralism in planning, as is active participation of users in attainment of the planned goals.

Significant changes will be implemented in modification of economic tools. This involves improving the system of pricing and other tools designed for balancing profitability and improving motivation for developing socially desirable production. Full enforcement of the intraplant and enterprise khozraschet will facilitate further increases in collective and personal motivation for development of production, its economy and efficiency.



## JULY 1981 ECONOMIC RESULTS SUMMARIZED

Prague HOSPODARSKE NOVINY in Czech 28 Aug 81 p 2

[Summary by the Federal Statistical Office: "July 1981"]

[Text] The following results were achieved in the main areas of the national economy in July this year (the number of working days was the same as in July 1980):

--in industry, production volume was greater than in July 1980 and deliveries in all main directions of sales also increased with the exception of deliveries to domestic trade. The enterprise plans were surpassed in production, adjusted value added and in individual directions of sales in July;

--in the building industry, the volume of construction work carried out with internal labor resources did not reach last July's level. Enterprise plans were not fulfilled either in production volume or adjusted value added;

--in public freight transportation, the July transportation targets were not met with the exception of CSAD [Czechoslovak State Automobile Transportation]. The total volume of transported goods increased, due to CSAD transportation, but in railroad and river transportation was below the level of July 1980;

--in agriculture, the purchase of all basic animal products, with the exception of milk, proceeded ahead of schedule. The purchase of slaughter animals, including poultry, and of eggs was smaller, but the purchase of milk increased in comparison with July 1980;

--in foreign trade, the turnover slowed down both in relation to the socialist and nonsocialist countries;

--in domestic trade, retail trade turnover in all main trade systems at current prices was above the July 1980 level and the plan of retail trade turnover was surpassed in the main trade systems.

The number of working days from the beginning of the year to the end of July was 1 day less than during the same period last year.

In terms of key indicators of the national economy, the annual state plan was fulfilled to the following extent by the end of July: 56.5 percent of the industrial production volume, 58.6 percent of the purchase of slaughter animals, including poultry, 51.8 percent of total imports, 53.7 percent of total exports, 58.4 percent of total transportation volume of goods. The number of working days during the January-July period accounted for 57.7 percent of working days during the entire year 1981.

In centrally planned industries, the value of industrial production amounted to Kcs 43.2 billion in July which was 0.5 percent more than in July 1980. The enterprises of centrally planned industries fulfilled the enterprise production plans 100.1 percent in July. There was particularly low fulfillment of July production plans by the industrial enterprises in the woodworking and building materials sectors.

As to the sales of industrial products (at wholesale prices), the results during the first 7 months of 1981, in comparison with the same period last year, were as follows: deliveries for export to the socialist countries increased 2 percent; deliveries for export to the nonsocialist countries increased 3.1 percent; deliveries to domestic trade, however, were below the level reached during the same period last year. Sales for industrial production and operations increased 3.6 percent during the January-July period.

Economic plans were surpassed in all main directions of sales from the beginning of the year to the end of July. Although the plans were generally surpassed, the planned deliveries to domestic trade were not fulfilled by 11.2 percent of enterprises participating in these deliveries, deliveries for export to the socialist countries by 10.7 percent of enterprises and for export to the nonsocialist countries by 21.5 percent of enterprises. The plan targets set for deliveries for industrial production and operations were not met by 36 percent of enterprises for which this indicator is specified during the first 7 months of this year.

In agriculture, the purchase schedule was complied with by the end of July as follows: 102.1 percent for slaughter animals generally, 101.5 percent for slaughter poultry, 101.8 percent for milk and 105.1 percent for eggs. The purchase of slaughter animals, including poultry, during the January-July period surpassed last year's purchases during the same period by 26,100 tons and the purchase of eggs by 38.1 million, while the purchase of milk declined 36.6 million liters during the same period.

In the building industry, the low fulfillment of enterprise plans continued in July: construction enterprises fulfilled monthly enterprise plans of construction work performed with internal labor resources 96.1 percent, and the enterprise plans of adjusted outputs 97.5 percent. The volume of construction work was 1.3 percent smaller than in July 1980 and its value amounted to Kcs 6.9 billion.

The number of housing units completed by contracting building enterprises was 2.3 percent lower than in July 1980.

From the beginning of the year till the end of July, the building enterprises performed construction work with their own labor resources in the value of Kcs 45.4 billion, which was 3.9 percent less than specified in the enterprise plans and 2.4 percent less than during the same period last year. During the January-July period, the planned production targets were not met by 180 building enterprises, or 77.9 percent of the total number. In comparison with the same period last year, average daily production in the building sector decreased 1.9 percent during the January-June period and 1.8 percent during the January-July period.

Public freight transportation carried 56.1 million tons of goods in July and the monthly transportation targets were met 99.5 percent. In comparison with July 1980, the volume of transported goods was 2.0 percent higher.

From the beginning of the year to the end of July, public freight transportation carried 377.5 million tons of goods or 58.4 percent of the annual state plan target. The planned transportation tasks were generally fulfilled 101.3 percent, in railroad transportation 99.2 percent, CSAD transportation 103.1 percent and river transportation 96.9 percent during the first 7 months of this year. The total volume of goods transported during the first 7 months was 3.4 percent higher than during the same period last year.

In foreign trade at current prices, total turnover slowed down in July. A more significant slowdown was registered in relation to the nonsocialist countries than in relation to the socialist countries. The rates of increase in total imports and exports during the January-July period were smaller than anticipated by the foreign trade plan for the year. The annual state plan was fulfilled as follows by the end of July: 55.5 percent in exports to the socialist countries; 51.0 percent in exports to the nonsocialist countries; 51.6 percent in imports from the socialist countries; 52.1 percent in imports from the nonsocialist countries.

In domestic trade, merchandise in the total value of Kcs 18.8 billion at current prices was sold by the main trade systems in May. Retail trade turnover in the main trade systems increased 2.7 percent in July. Retail trade turnover in public catering registered a more rapid increase (105.1) than in the trade sector (102.3). The enterprise plans of retail trade turnover were fulfilled 101.4 percent in July.

During the January-July period, the main trade systems sold to the population merchandise in the total value of Kcs 120 billion which was 0.9 percent more than during the same period of 1980. The enterprise plans of retail trade turnover were fulfilled 99.6 percent during the first 7 months of this year. The rate specified by the annual state plan for all systems (102.4) was surpassed by retail trade turnover in Klenoty [Gems] (105.5) and Obchod Obuvi [Shoe Trade] (103.5) during the January-July period. On the other hand, a decline in retail trade turnover was registered by Obchod Nabytkem [Furniture Trade] (index 85.8), while the enterprise plans were fulfilled 91.4 percent during the same period.

In comparison with the same period last year, personal incomes increased 2.6 percent or Kcs 5.3 billion during the January-July period. Earned incomes increased 2.8 percent.

Actual personal expenditures amounted to Kcs 197.5 billion during the first 7 months of this year and increased 1.5 percent over the same period last year.

Savings deposits amounted to Kcs 161.5 billion as of 15 July 1981 and increased Kcs 10.2 billion in comparison with the same period last year. Money supply amounted to Kcs 44,551,000,000 as of 31 July which was Kcs 2,388,000,000 more than on 31 July 1980.

Basic Indicators of National Economy's Development in  
Increases Over Comparable 1980 Period (in percent)

	<u>July</u>	<u>Jan- July</u>	<u>State Plan<sup>1</sup></u>
Deliveries of the Centrally Administered Industry for:			
--investments at wholesale prices	-	1.2	- 2.3
--domestic market			
at wholesale prices	-	- 0.1	- 0.7
at retail prices	-	- 0.7	- 0.5
--export to socialist countries			
at wholesale prices	-	2.0	- 1.1
at FOB prices	-	0.1	- 5.3
--export to nonsocialist countries			
at wholesale prices	-	3.1	0.3
at FOB prices	-	3.4	4.5
--other sales for industrial production and operations at wholesale prices	-	3.6	-
volume of industrial production	0.5	1.8	2.4 <sup>2</sup>
average number of employees	0.0	0.5	0.5 <sup>2</sup>
labor productivity based on industrial production	0.5	1.4	2.1 <sup>2</sup>
Construction			
construction work performed with internal labor resources	- 1.3	- 2.4	2.7
average number of employees	- 1.9	- 0.7	0.5
labor productivity based on construction work	0.6	- 1.7	2.1
housing units delivered by contracting enterprises	- 2.3	-31.1	-19.1
Procurement			
slaughter animals (including poultry)	- 2.3	2.5	- 1.4
milk	0.9	- 1.2	0.7
eggs	- 1.9	2.4	- 0.9
Retail Turnover of the main trade systems	2.7	0.9	2.4 <sup>3</sup>
Foreign Trade <sup>4</sup>			
export to socialist countries	1.8	8.5	7.3
export to nonsocialist countries	- 7.9	3.9	9.1
import from socialist countries	- 2.9	7.7	12.4
import from nonsocialist countries	-20.2	- 2.9	6.7

[Table continued on following page]



Personal Earnings <sup>6</sup>	3.9	2.6	3.6 <sup>5</sup>
of which income from wages	3.5	2.8	3.1
Actual cash expenditures	3.2	1.5	3.3 <sup>5</sup>

FOOTNOTES:

1. Increases compared to actual 1980 results.
2. Increases compared to expected 1980 results.
3. All trade systems.
4. Data on actual results refer to actual transactions and the state plan (in contrast to overall actual results) does not include unplanned actions within the framework of cooperation, unplanned reexports trade, exchanges and conditional trade transactions, etc.
5. Including estimated interest on loans.
6. Data based on treasury plan of the SBCS (CSSR State Bank).

10,501

CSO: 2400/16

AUGUST 1981 ECONOMIC RESULTS SUMMARIZED

Prague HOSPODARSKE NOVINY in Czech 25 Sep 81 p 2

[Summary by the Federal Statistical Office: "August 1981"]

[Text] In the development of the national economy the following results were achieved in August this year:

--in industry, production volume and value of adjusted outputs were higher than in August 1980, and an increase was also registered in the deliveries to all main directions of sales. The key indicators in the monthly enterprise plans, however, were not met;

--in the building industry, the low fulfillment of the plans of construction work and of adjusted outputs continued. The total value of these indicators was below the August 1980 level;

--in agriculture, field work proceeded on schedule. In animal production, the purchases of main animal products, with the exception of milk, were lower than in August 1980;

--public freight transportation surpassed its August transportation targets;

--in domestic trade, retail trade turnover in main trade systems was higher than in August 1980;

--in foreign trade, total turnover slowed down in August.

In centrally planned industries, the industrial production volume increased 2.6 percent over the August 1980 level and reached the value of Kcs 49.7 billion. The enterprise production plans were fulfilled 98.9 percent this month, but approximately one-third of industrial enterprises failed to meet their August production targets. In August the plan of adjusted outputs was not met almost by 39 percent of organizations for which this indicator is specified.

During the January-August period, industrial production volume increased 2 percent and average daily production 2.6 percent. The industrial production increase called for by the annual state plan is 2.4 percent. The highest growth rates in industrial production (while surpassing enterprise plans at the same time) were

achieved by the enterprises in electroengineering, rubber, glass, ceramics and porcelain industries during the January-August period.

The enterprise plans of adjusted outputs were fulfilled 101.1 percent during the January-August period, but almost 25 percent of enterprises for which this indicator is specified failed to do so.

In the area of sales of industrial products (at wholesale prices), the enterprise plans were surpassed in the deliveries in all main directions during the January-August period, although some unevenness continued in the fulfillment of the plan of deliveries particularly for export to the nonsocialist countries. In comparison with the same period last year, deliveries to domestic trade increased 0.2 percent, deliveries for export to the socialist countries 2.1 percent and for export to the nonsocialist countries 3.2 percent during the January-August period.

In the building industry, the volume of construction work performed with internal labor resources was 2.1 percent below the August 1980 level. The building enterprises fulfilled their August construction targets 95.7 percent, while the value of completed construction work performed with internal labor resources amounted to Kcs 7 billion. The monthly plan of adjusted outputs was fulfilled 96.5 percent. In housing construction carried out by contracting construction enterprises, 28.9 percent fewer dwelling units were completed than in August 1980.

From the beginning of the year to the end of August, the volume of construction work reached the value of Kcs 52.4 billion, 2.4 percent less than during the comparable 1980 period. Average daily production in the building sector declined 1.8 percent. The annual state plan anticipates a 2.7 percent increase in construction work. The trend in labor productivity did not correspond to the intentions of the annual plan, because it decreased 1.7 percent during the January-August period, while the planned annual increase is 2.1 percent. Although the indicator of adjusted outputs was generally complied with 98.0 percent, the enterprise plans were not fulfilled by more than 57 percent of enterprises during the first 8 months of this year.

In capital investment, the development in the total volume of completed investment projects and deliveries to the national economy or their material structure did not conform to the intentions of the annual plan. The total value of investment projects and deliveries (excluding project "Z" and private construction) decreased below the January-August 1980 level both in regard to construction work (a 3.1 percent decrease) and deliveries of machinery and equipment (a 5.4 percent decrease). The state plan anticipates a 0.4 percent increase in total volume for this year. The intentions of the plan focusing upon completion of construction projects were not completely met.

In agriculture, in the area of crop production both the harvest and purchase of grains were completed. The plan was less than 1 percent short of fulfillment as of 6 September.

In animal production, the purchase of animal products of all main types was below the August 1980 level with the exception of milk (the purchase of milk increased

2.5 percent). During the first 8 months of this year the purchase of slaughter pigs increased 5.1 percent and of eggs 1.9 percent over the comparable period last year.

The purchase schedule was complied with as follows by the end of August: in regard to slaughter animals generally 101.4 percent, slaughter poultry 101.5 percent, milk 101.6 percent and eggs 104.4 percent.

Public freight transportation generally met the August transportation targets 100.6 percent. The plan was surpassed in railroad transportation, CSAD [Czechoslovak State Automobile Transportation] and river transportation. A total of 55.1 million tons of goods were carried by public freight transportation in August.

The overall plan of transportation of goods was fulfilled 101.2 percent during the first 8 months of this year. The plan was surpassed by CSAD (102.8 percent), while railroad transportation fulfilled the plan 99.6 percent and river transportation 97.4 percent. The total volume of goods transported during the first 8 months of this year was 432.8 million tons which was 3.5 percent more than during the comparable period last year. The plan of goods loading in railroad transportation was fulfilled 100.2 percent. The loading of solid fuels was fulfilled 99.6 percent and increased 2.6 percent over the comparable period last year.

In foreign trade, exports to the socialist countries in August increased over August 1980. Exports to the nonsocialist countries and imports from both currency areas, however, were below the August 1980 level.

From the beginning of the year to the end of August, foreign trade turnover with the socialist countries increased more rapidly than with the nonsocialist countries. Total exports increased 6.8 percent and exports to the socialist countries 8.3 percent during the first 8 months of this year. Total imports increased 2.8 percent and imports from the socialist countries 6.4 percent.

The annual state plan was fulfilled by the end of August as follows: exports to the socialist countries 62.1 percent and to the nonsocialist countries 56.7 percent; imports from the socialist countries 58.6 percent and from the nonsocialist countries 56.7 percent.

In domestic trade, retail trade turnover in the main trade systems reached Kcs 18.1 billion (at current prices) in August which was 1.7 percent more than in August 1980. During the January-August period, the organizations of main trade systems sold merchandise for Kcs 138.1 billion which represented a 1 percent increase over the comparable 1980 period.

The most dynamic increase in retail trade turnover was registered by the Cedok organizations (public catering), Klenoty [Jewelry] and Obuv [Shoe Trade] during the first 8 months of this year. On the other hand, retail trade turnover in Obchod Textilní [Textile Trade] and Nabytek [Furniture Trade] was below the August 1980 level. The enterprise plans of retail trade turnover were fulfilled 99.5 percent by the main trade systems during the January-August period.

Deposits on personal savings accounts increased Kcs 45 million from 15 July to 15 August. From the beginning of the year to the end of August savings deposits increased Kcs 5,701,000,000 or Kcs 2,253,000,000 more than during the comparable period last year.

Basic Indicators of National Economy's Development in  
Increases Over Comparable 1980 Period (in percent)

	<u>Aug</u>	<u>Jan- Aug</u>	<u>State Plan<sup>1</sup></u>
Deliveries of the Centrally Administered Industry for:			
--investments at wholesale prices	-	- 2.4	- 2.3
--domestic market			
at wholesale prices	-	0.2	- 0.7
at retail prices	-	- 0.8	- 0.5
--export to socialist countries			
at wholesale prices	-	2.1	- 1.1
at FOB prices	-	0.7	5.3
--export to nonsocialist countries			
at wholesale prices	-	3.2	0.3
at FOB prices	-	- 0.8	4.5
--other sales for industrial production and operations at wholesale prices	-	3.2	-
volume of industrial production	2.6	2.0	2.4 <sup>2</sup>
average number of employees	0.2	0.4	0.5 <sup>2</sup>
labor productivity based on industrial production	2.4	1.6	2.1 <sup>2</sup>
Construction			
construction work performed with internal labor resources	- 2.1	- 2.4	2.7
average number of employees	- 1.1	- 0.7	0.5
labor productivity based on construction work	- 1.0	- 1.7	2.1
housing units delivered by contracting enterprises	-19.9	-29.9	-19.1
Procurement			
slaughter animals (including poultry)	- 4.3	1.6	- 1.4
milk	2.3	- 0.7	0.7
eggs	- 1.4	1.9	- 0.9
Retail Turnover			
of the main trade systems	1.7	1.0	2.4 <sup>3</sup>
Foreign Trade <sup>4</sup>			
export to socialist countries	4.3	8.3	7.3
export to nonsocialist countries	- 9.6	4.3	9.1
import from socialist countries	- 8.4	6.4	12.4
import from nonsocialist countries	-10.9	- 2.3	6.7
Personal Earnings <sup>6</sup>	2.7	2.5	3.6 <sup>5</sup>
of which income from wages	2.8	2.8	3.1
Actual cash expenditures	2.6	1.5	3.3 <sup>5</sup>

[Footnotes to table on following page]

FOOTNOTES:

1. Increases compared to actual 1980 results.
2. Increases compared to expected 1980 results.
3. All trade systems.
4. Data on actual results refer to actual transactions and the state plan (in contrast to overall actual results) does not include unplanned actions within the framework of cooperation, unplanned reexports trade, exchanges and conditional trade transactions, etc.
5. Including estimated interest on loans.
6. Data based on treasury plan of the SBCS (CSSR State Bank).

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CSO: 2400/17



## UNFINISHED CONSTRUCTION CONTINUES TO PLAGUE ECONOMY

Prague RUDE PRAVO in Czech 23 Sep 81 p 1

[Editorial: "At Stake: Timely Completion of a Third of Capital Projects"]

[Text] The decision was made to set a limit to capital construction in the Seventh Five-Year Plan primarily by curtailing starts of new construction projects and using the means thus saved for reconstruction and modernization of our production base. The measure, known to be long overdue, will be implemented this year. To a degree, investors and construction enterprises were instrumental in curtailing capital construction by reducing in the first 6 months of this year the planned number of new projects from 2,780 to a mere 1,141. Therefore, it was expected that the pooling of resources would accelerate the completion of the most important projects even in the first half of the year.

But results failed to bear out these expectations in the first 6 months. The volume of capital construction and deliveries decreased below the level of the same period of last year. The number of uncompleted projects failed to diminish. There were 7,750 such projects with budgets exceeding Kcs 2 million or only 152 fewer than last year.

According to the state plan, 108 projects designated as priority tasks are expected to be brought into operation this year with 33 to be completed in the first half of the year. But only eight production capacities started trial runs in addition to several others which were to be completed last year or even the year before. This indicates that the completion of many projects is being deferred till the second half of this year but existing harmonograms and the slow construction progress indicate that roughly a third of the planned construction projects may remain uncompleted by the end of this year. Projects whose completion in the first half of the year was delayed are expected to be completed by the end of the year. But VSZ [East Slovakia Enterprises] Kosice continuous slab-casting project and the Chemko Strazske thermal power plant will not be completed until next year and the reconstruction of the Domazlice railroad station and the Slovakofarma Hlohovec pharmaceutical production building for another 2 years.

The delayed startup of new production facilities represents considerable production losses planned for this year. These include tens of thousands of square meters of tiles from Michalovce, tens of thousands of tons of shaped steel from NHKG [New Klement Gottwald Metallurgical Works] Ostrava, thousands of trucks from Koprivnice,

tens of thousands of tons of unbleached cellulose from Ruzomberok, etc. To this must be added the production loss from other capacities which were expected to go into production but will not unless their completion is speeded up.

Completing production projects under construction and starting them up within set time limits is a vital task of the capital construction plan. The precarious situation involves not only planned priority projects but practically all capital construction categories. Therefore, we need to concentrate our efforts on vitally important priority projects. One of the frequent causes of the slow progress of priority projects are delays in preliminary work prior to construction. As examples, Prumyslove stavby Kosice [Kosice Industrial Construction Enterprises] failed to meet 58 intermediate deadlines in the first half of the year, Prumyslove stavby Brno [Brno Industrial Construction Enterprises] 47 intermediate deadlines. Delays are also due to tardy deliveries of construction steel, some equipment which is in short supply, such as boilers and filtering stations from CKD Praha, cranes from Chepos Brno, transformers, machine tools from Skoda-Plzen, equipment from Zavody silnoproude elektrotechniky Praha [Electrical Engineering Enterprises Prague], measuring instruments and control equipment from Zavody automatizacni a vypocetni techniky Praha [Automation and Computer Equipment Enterprises, Prague], etc.

In some enterprises inadequate preparation of capital projects will subsequently lead to difficulties in mastering the operation of the new capacities. Last year the Czechoslovak State Bank examined 126 construction projects and found that 99 of them failed to attain the planned output resulting in an overall production loss amounting to roughly Kcs 11.5 billion.

Facts testify to the urgent need of monitoring capital investment progress most closely from the very conception of the idea through the construction stage of the production facility till its operation at full capacity and the attainment of the planned output. It is not that these problems were ignored in the past but not all corrective measures instituted have borne fruit because the people responsible for their enforcement were inconsistent. For example, while the bank penalizes investors and suppliers for shortcomings in executing priority construction projects by stopping their financing, withdrawing credits, raising interest rates and denying credits for works and deliveries not completed within their deadlines, still the investors' and suppliers' reaction to these penalties has failed to improve the situation markedly.

Likewise, the new stipulations concerning material incentives designed to increase accountability for executing the tasks planned in capital construction by stimulation of responsible action are not everywhere being implemented in accordance with the Set of Measures to Improve Planned Management of the National Economy. More than a few responsible managers of economic management organs are more concerned with minimizing the impact of shortcomings on material incentives and the financing of capital projects than with doing their utmost to mobilize all available resources and their labor force to its full potential to fulfill the plan. Instead, they waste their time in trying to prevent the application of mandatory sanctions, penalties, reduction of bonuses and premiums and disciplinary measures for failing to meet deadlines. Sometimes people involved in capital construction work touchingly manifest agreement in justifying shortcomings and mutual understanding and leniency in applying material penalties for shortcomings. These practices deserve to be harshly criticized and strict measures must be taken to stop them.



Individuals in responsible positions in ministries, economic units and other organizations must be made fully aware of their responsibility to the entire society for the progress and the results achieved in capital construction. Inadequate attention paid to preparatory work prior to capital construction, slow implementation of construction work, unsatisfactory startup of new capacities, failure to fulfill the planned volume of output, immobilizing assets represented by yet uninstalled machines and equipment paid for in foreign currency, all this is reflected not only in a failure to fulfill the capital investment plan but--and this is much more serious--in production losses which the state plan counted on and in some cases also in a loss of exports. This reduces considerably the potential of acquiring foreign currency needed to keep the national economy going. It is reprehensible when the very individuals whose conscience with regard to implementing the capital program is not exactly clear, clamor for foreign imports or for the allocation of resources for such imports even though they contribute least to their acquisition.

It has become obvious that improvement in capital construction has failed to materialize because the quality of managerial work has not improved. Frequently it is because the Set of Measures is not being implemented consistently and uniformly but with widely varying emphasis. Therefore, all individuals in responsible positions must acquaint themselves intimately with the new stipulations and apply them in practice consistently, especially in their own work, using the influence of party and trade union organizations to achieve that end. Party organizations and those in economic units and enterprises must implement the Set of Measures more energetically--not only in the area of capital construction--and make their implementation part of the party control plan and monitor consistently the specific results achieved.

The problems besetting the area of capital construction must be resolved. Its national importance calls for analyzing thoroughly the causes of its poor track record in meeting deadlines with a view to correcting all shortcomings without delay. The prospect that a full third of the planned capital projects will not be completed this year must induce all enterprises and organizations to make a maximum effort to reduce the threatening loss of production to a minimum. Investors and both construction and material suppliers must share equally in this effort to demonstrate their competence.

8864

CSO: 2400/18

LABOR UNIONS URGED TO BRING PRODUCTION UP TO POTENTIAL

Prague PRACE in Czech 3 Oct 81 p 1

[Article: "Using a More Demanding Approach"]

[Text] A recent plenary meeting of the Czech Trade Council, which evaluated the results achieved so far and the experience gained by trade union organs and organizations in the CSR while carrying out the conclusions of the 16th CPCZ Congress, also dealt in detail with the share of the trade unions in the implementation of the plan. The conclusions of the congress were formulated specifically in reference to labor conditions at the 12th Plenum of the URO [Central Council of Trade Unions].

The results which we have achieved in our national economy in 8 months of this year do not correspond to the efforts made by the working people, nor do they correspond to the opportunities provided by our economy. This fact, which can be inferred from data supplied by statisticians, was documented and analyzed through specific examples by the comrades who took part in the discussion at the plenum.

They only kept confirming the fact that there are reserves in our economy, as also demonstrated repeatedly by a recent semiannual public audit of the fulfillment of the plan, socialist obligations, and collective agreements. They only confirmed that these reserves exist first of all because of inadequate creation of conditions for the participation of workers in management and for the development of their initiative. Management personnel do not pay proper attention to the creation of these conditions. But trade union organs and organizations are not without fault, either. They do not insist consistently enough that the economic organs put into effect the measures which have been adopted jointly.

In those places where continuous care is given to the management and organization of labor as well as to the creation of conditions for the use of creative abilities, professional knowledge, skills and talents, the economic results are also good. The labor collectives kept consolidating their socialist obligations in such manufacturing establishments during the first half of the year, and they are now starting to assume additional socialist obligations in honor of the 10th All-Union Congress. In the same way, the people in these establishments did not approach the directive for the processing of the draft plan for 1982 with the idea that the requirements of the directive were unrealistic. Instead, they sought ways to comply with them.

And that is being done successfully in those places where manual workers, technicians and economists are really participating in the formulation of the draft plan. Much more time has been spent this year than before on discussing the draft plan with the workers. Practically from the middle of May until 24 July. During that time, it was possible to work out the draft plan all the way down to individual units within an enterprise and even down to the individual workplace; to give collective thought to the question of how labor productivity could be increased more effectively, where and how to obtain savings how to produce more from the same amount of material, how to achieve higher technical parameters and better quality.

The discussion has shown that only in a few places did economic management workers operate in this way. That was also reflected in the results of the audit conducted by the COR [Czech Trade Union Council] in 25 basic organizations of the ROH [Revolutionary Trade Union Movement]. A verification of the participation of the workers in the formulation of the plan in these organizations has revealed that in half of them the factory committee was not acquainted with the draft plan at all. The economic management has worked out the draft plan all the way down to the individual workplace or to individual units within the enterprise in only 35 percent of the organizations, and among these in only 35 of them was the draft plan discussed with the workers at production conferences or in trade union sectors. The system of counterplanning was used in the formulation of the draft plan in one-quarter of the organizations which have been checked. This was done for example at the CKD [Ceskomoravská Kolben-Danek] in Prague, at the Trakce [Traction] manufacturing establishment, at Sigma in Ceska Trebova, at the Keramické Zavody [Ceramics Works], and in other organizations.

We read the following in the report of the COR: "In contrast, although at the Orion manufacturing establishment in Modrany and at Tesla in Strasnice they accepted higher assignments under the plan, they did so without discussing the matter with the workers, and as a matter of fact they did not even allocate the plan to units within the enterprise, as they are instructed to do according to the principles formulated by the government."

In those places where the economic management underestimates the participation of the workers, where it does not cooperate with the trade union organization, it cannot achieve good results, either. It is obvious that such procedure is in absolute conflict with the principles of the Set of Measures, which applies to all enterprises. It merely indicates that the Set of Measures has not yet influenced the way of thinking of some management workers, that it has not resulted in a more active approach by them to the handling of problems in production.

The fulfillment of the plan for this year and the preparation of the plan for next year require new, more demanding ways of approaching the plan by both the economic management and the trade union organs and organizations. In some places, they are now trying to implement this requirement that the work of trade unions should be made more effective. The requirement is by no means new, and it was merely emphasized again at the COR plenum. For example, in North Bohemia Krajský, the subject was discussed by KOR [Kraj Trade Union Council] Secretary J. Kacer. He said that trade unionists are concentrating their attention on efforts to increase the daily production output by 3 percent as compared to the beginning of the year to make sure that management workers would create conditions enabling as many collectives as possible to work right now in accordance with the parameters of next year.

The COR plenum indicates in its resolution very specifically to federations and to all trade union organs and basic ROH organs in the CSR which tasks they should concentrate on in the nearest future. It should be a question of honor for every trade unionist as to how they should carry out the tasks of this year in each establishment in the best possible way and how they should get ready for next year.

5668

CSO: 2400/27

## ECONOMIC, SOCIAL DEVELOPMENT OF CEMA COUNTRIES VIEWED

Prague HOSPODARSKE NOVINY in Czech 25 Sep 81 p 3

[Article by Eng Jirina Semanova and Docent Eng Frantisek Stransky, Foreign Trade Research Institute: "A Great Deal of Work Awaits Us"]

[Text] This year's operations plans set rather sober, but demanding tasks for the economic development of CEMA states. The demanding nature of these tasks is determined primarily by the plans' qualitative indicators, particularly intensive growth factors, which are to secure a progressive relationship between the material inputs, on the one hand, and outputs--final products and quality--on the other. We cannot, however, leave out of account a comparison with the world economic and technical trends. Even in comparison with these trends, the plan targets set by the CEMA community appear not only in a favorable light, but can be described as very ambitious.

If we focus attention on the development plans of European CEMA member states--because of specific problems of other (outside Europe) CEMA member states whose role, however, gradually increases as the membership base expands--we must in evaluating the 1981 plan targets take into consideration above all some facts.

## Basic Characteristics

From the standpoint of internal conditions, the operations plans represent the first step toward the implementation of the five-year plans during the 1981-1985 period which constitute an important part of the long-term strategy of transition of economies to intensive growth, when considerably exhausted extensive factors are replaced by intensive factors. Their control represents a complex process with new delicate interdependencies among which man's creative abilities play a dominant part in the main phases beginning with science and research, and then capital investment, production and finally distribution. This transition, however, is affected also by the inertness of old reproduction dependences which, though unable to reassert themselves, nevertheless can and do cause partial disproportions and disruptive influences mainly in the labor force, material and technical procurement, production capacities and important balances, including the foreign trade balance. The positive effect of socialist economic integration as an integral factor in the efficiency increase should be gradually and increasingly felt.

From the standpoint of external conditions, the situation is very complex particularly for the small and medium-sized economies which depend upon the imports of fuels,



raw and industrial materials. It cannot be assumed that the situation will ease in the foreseeable future. The transformation function of these economies is therefore becoming increasingly demanding. To put it simply, the inputs derived from imports, that is, primarily raw and industrial materials and above all fuels, are becoming more expensive and their sources more limited, and the outputs must therefore aim at the most effective utilization of imported materials particularly when the situation on the world markets is not favorable for sales and lays big demands on the technical standard, quality, reliability, service and so on. Only by complying with these requirements can the effect of deteriorating exchange relations be overcome.<sup>1</sup> Otherwise it would be necessary in the future to assign high priority to exports in the use of the national income and to reduce the rate of its use in other main directions--capital investment and personal consumption.

The national income and the basic components of its formation--industrial and agricultural production--are to increase according to the plan at a higher rate this year than in 1980: the national income 3.5 percent, industrial production 4.1 percent and agricultural production as much as 6-7 percent. These parameters (except for agricultural production) almost coorespond to the average annual targets in the 1981-1985 five-year plan and, so far as can be concluded from the incomplete data published for the 1986-1990 period, also to long-term targets for the 1980's.

In assessing the main characteristics of the economic development set for 1981 or already achieved in 1980, we must in this context take into consideration that the CEMA member states try to improve their foreign trade balances. This undoubtedly is a very complex and demanding process requiring permanent activation of all sources of intensification and priority of exports over imports in the distribution of the national income as well.

An important role in meeting this year's goals is assigned to agricultural production. In the last (1976-1980) five-year plan and actually during the entire period of the 1970's, frequent declines in production resulted in a rather small agricultural production increase in a number of European CEMA member states and particularly in the Soviet Union. This reduced dynamism of formation of the national income hindered the growth of the entire agriculture-food industry complex and of personal consumption. It adversely affected the overall foreign trade balance due to the necessary purchases primarily of considerable quantities of grain on the markets of third states. In the second half of the 1970's for example, the European CEMA member states (including the Soviet Union) registered the following development in the group of food products and raw materials of plant and animal origin: in 1975, the overall foreign trade deficit was 6.1 billion rubles, including deficit of 6.1 billion in food products and raw materials of plant and animal origin; the corresponding figures for 1978 were minus 4.1 billion and minus 6.7 billion rubles respectively; the corresponding figures for 1979 were plus 0.9 billion and minus 8.6 billion rubles respectively.

The acceleration of the agricultural production increase and securing of a reliable adequate production of basic agricultural products is, therefore, one of the fore-

<sup>1</sup> In most CEMA member states, particularly importers of fuels, that is, Bulgaria, Hungary, the FDR and Czechoslovakia, the relation between the export and import prices deteriorated in the second half of the 1970's and the tendency toward further deterioration continues. This means that imports must be paid for by the progressive increase in physical exports.

most problems of "great" structural policy. In view of the decline in agricultural production in the CEMA member states in 1979 (2 percent) and in 1980 (by another 3.2 percent), the 1981 operations plans set rather demanding tasks whose fulfillment should restore agricultural production of CEMA states to the 1978 level, which was the highest on record.

### Structural Changes

Apart from the already mentioned effort to strengthen the role of agricultural production and to increase its intensity and stability, the beginning of new five-year plans also makes imperative structural changes primarily in industrial production. These changes which are spelled out in detail in the drafts of five-year plans of CEMA member states must be intensively carried out from the very outset because an inadequately consistent and elastic adaptation of the structures of industrial potentials of CEMA member states to price conditions would necessarily cause serious imbalances and threaten the planned dynamism of social production. The basic direction of these changes is determined by the reduced requirements of the reproduction process for inputs of fuels, raw materials and basic materials, and by the maximization of final outputs, particularly in terms of engineering and chemical products and consumer goods. This direction, naturally, has already been observed for a long time. As a result, final production represented, for example, by the national income derived from each unit of mined or manufactured fuel, basic structural material and so on has been gradually increasing, while consumption of fuels, energy, raw and industrial materials per unit of national income produced has been decreasing. This has been noticeably reflected in the consumption of fuels, energy, metallurgical and building materials, timber and so on.

The past development, however, was still unsatisfactory particularly for two reasons:

--due to the radically changed conditions which made fuels, raw and industrial materials less accessible, the worldwide trend, particularly in the industrially developed capitalist states, aims at a substantially more effective utilization of these resources (also under the growing influence of ecological problems);

--consumption of fuels and basic structural materials per unit of the national income produced has been still too high in comparison with the industrially developed capitalist states.<sup>2</sup> It is necessary to change the existing disadvantage into an important source of long-term economic growth which will, of course, necessitate the mobilization of the scientific-technological factor.

Among other important features of CEMA member states' economic strategy which are spelled out in the drafts of five-year plans as well as in the operations plans for 1981 it is necessary to underline the effort:

--to generally enhance the role of the scientific-technological factor which is of critical importance both in relation to the development of social labor productivity and to structural changes. This is obvious from the priority assigned in the plans to those industrial sectors which are closely linked to the scientific-technological factor: general engineering, electrical engineering and chemical industry;

<sup>2</sup> This fact is confirmed, for example, by the UN study, ECONOMIC BULLETIN FOR EUROPE--COMPARATIVE GDP LEVELS, UN, Vol 31 No 2/1980.

--to create fundamental prerequisites for a higher living standard, primarily in the sectors manufacturing consumer goods on which interest in higher labor productivity depends;

--to further improve the system of social planning and incentives so that it will fully conform to the requirements of the new, prospective phase of growth;

--to make more effective use of socialist economic integration.

#### Intensive Type

The problems of the contemporary period and the effort to solve them gradually determine the basic characteristics of the intensive type of the reproduction process. The general and specific features of economic policy brought about by the permanent and temporary influences crystallize in the first place in the area of resources. In this specific situation, the plans put marked emphasis on achieving the overall national economic balance by the combination of the entire system of (scientific, technological, normative, economic and other) measures. For this reason, the use of the national income is severely limited, particularly in the small and medium-sized economies. The restriction of dynamism intensively affects the area of imports and capital investment, but cannot remain without effect on the development of the living standard as well.

With reference to the available data of 1981 operations plans, we can say that they reveal a tendency toward slowing down of capital investment, particularly in the small and medium-sized economies. In comparison with the long-term trend, investment policy of CEMA member states has been developing at a lower rate than the national income in recent years (this applies even to the last five-year plan, when the national income increased 22 percent but investments only 17 percent). This means that pressure concentrated on making investment projects more effective, on more efficient modernization of capital assets and so on. Closely related to this is the problem of significant innovations in engineering production and of high requirements concerning both imported and exported engineering products. Without a radical change in this direction, it would not be possible to maintain the progressive relation between investments and economic development.

As to the rise in the living standard, regardless of different indicators through which it is expressed in available sources--most frequently by real income or retail trade turnover--the role of price regulations and their effect on slowing down dynamism of above indicators has increased in recent years. There are relatively considerable differences among the CEMA member states in the use of the price factor. This is borne out by the movement of retail trade prices during the 1971-1975 and 1976-1979 periods. (See Table.)

The tasks set by the plan for 1981 constitute the first, but extraordinarily important step toward the implementation of five-year plans during the 1981-1985 period. The results actually achieved during the first half of 1981 (according to information published by the statistical organs in individual CEMA member states) indicate that the compliance with this year's plan targets will require extraordinary effort. Some of the CEMA member states failed during the first half of this year to achieve the growth rate planned for 1981, particularly in industrial production, while in addition a further considerable decline in industrial production in Poland (by 12.5 percent) constitutes a serious fact.



# Changes in Retail Trade Prices (in %)

	1971-1975	1976-1979
Bulgaria	+ 1	+ 7
Hungary	+16	+26
GDR	- 2	0
Poland	+10	+29
Romania	+ 3	+ 3
Soviet Union	0	+ 2
Czechoslovakia	+ 1	+ 8

Source: STATISTICHESKIY YEZHEGODNIK STRAN CLENOWSEV 1980  
[Statistical Yearbook of CEMA Member Countries, 1980]

The economic development in Poland is becoming a very serious problem of economic growth, particularly in the European CEMA states, because Poland accounts for 11 percent of the total mutual trade turnover among these countries. It plays an important part in the specific long-term agreements on mutual deliveries of important materials (coal, ferrous and nonferrous metals, sulfur and so on) as well as in specialization agreements, particularly in engineering production.

In the structure of industrial production of CEMA countries, the development during the first half of 1981 essentially followed the lines laid down in the drafts of five-year plans. The increase in production of fuels and energy was relatively minimal. The biggest increase was achieved in engineering industries and particularly in electronics and chemical industries.

The development during the first half of this year proves that the CEMA member states are trying to promote their economic development with very small investments. This is borne out by very small increases in investment activity or even its slight decline (with the exception of Poland, where the decline in investment activity reached 23 percent). The prevailing tendencies toward the implementation of generally economical reproduction process are the precondition for the solution of two basic strategic problems:

--increase (though slight) in the living standard;

--overcoming of unfavorable influences of the world economy through economical, but productively effective import policy, and progressive and effective export policy in order to achieve a balance in external economic relations.

The basic material problems and directions of their solution constitute in the CEMA member states a realistic basis on which, simultaneously and rather intensively, modifications in the system of planning and management have been gradually carried out in all CEMA states in recent years.

10501  
CSO: 2400/28

## NEW TAX EXEMPTIONS ON AGRICULTURAL REVENUE

[Editorial Report] AU081155 Prague RUDE PRAVO in Czech on 6 October on page 5 carries a 1,200-word article by Dr Helena Sebkova of the CSSR ministry of finance, entitled "Who is Eligible for Tax Relief?" Sebkova explains in her article the "substantial changes in imposing taxes on revenues from agricultural production" being introduced in the CSSR on the basis of a government decree, changes which were adopted to "support the expansion of agricultural production by small-scale animal breeders and plant growers."

Going into the details of the changes, Sebkova says that a "full tax exemption" is being introduced for "revenues of members of united cooperative farms, [other] employed citizens, old-age pensioners and students, accrued from agricultural production carried out during leisure hours by the taxpayer himself or with the help of persons living with him in a Joing household." To become eligible for the tax exemption, the taxpayer must present a certificate from his employer or school that he is permanently employed or a full-time student, Sebkova adds.

According to the author, the tax exemption first becomes applicable to the revenues for 1981 and applies to revenues from animal and plant production alike, provided that it "really helps to solve supplies of basic agricultural products." Therefore, it will not apply to revenues accrued from "wine growing, flower growing and to animals raised for their fur." Furthermore, the tax exemption does not apply to "taxpayers who engage in agricultural production using hired labor or on plots taken over from other citizens for use and to private farmers for whom agricultural production is their main activity."

The purpose of the newly introduced measures is to "encourage wholesome initiative of citizens, especially in the countryside, to make an efficient use of all potentials," particularly of plots that "do not lend themselves to large-scale agricultural production," Sebkova goes on to say. He argues that this encouragement of small-scale agricultural production does not amount to an "expansion of the private sector in agricultural production" since it concerns only "supplementary" agricultural production.

Explaining why a similar tax relief does not apply to revenues from other leisure time activities, Sebkova stresses that supplies of agricultural products represent a "primary social interest" and that agricultural production is linked with strenuous physical labor and fraught with considerable risks.

CSO: 2400/49

## BRIEFS

LER CHAIRS GOVERNMENT COMMITTEE SESSION--On Monday, the government committee for planned national economic management held a meeting in Prague. It was chaired by the committee's chairman, CSSR minister of finance Leopold Ler. It especially assessed proposals designed to raise the effectiveness of economic instruments in foreign trade; questions concerning the invoicing of deliveries for capital investment, according to projects and complete production facilities; and the themes of economic experiments for the period of the seventh 5-year plan. [CTK Report in the "By Teletype, Mail, Telephone..." column] [Text] [AU141727 Prague RUDE PRAVO in Czech 13 Oct 81 p 2]

WASHING POWDER SHORTAGE--Shortage of synthetic washing powder has resulted in the Ministry of Trade CSR drafting an unpopular regulation, suggesting that business establishments sell only two packages of washing soap to each customer. Panic shopping and hoarding has made customers embittered and nervous, but additional production facilities are being built. National enterprise Rakona's additional production in the future should fully cover domestic demand for washing powder. [Prague PRACE in Czech 28 Oct 81 p 3]

CSO: 2400/54

GERMAN DEMOCRATIC REPUBLIC

STATE RETAIL TRADE MANAGEMENT REORGANIZATION SET

East Berlin DER HANDEL in German Vol 31 No 4, Jul-Aug 81 (signed to press 22 Jun 81)  
pp 3-5

[Interview with Harri Peters, economist, main director, State Retail Trade Organization (HO) by DER HANDEL; date and place of interview not given: "The New Role of the Retail Trade Organization (HO) Bezirk Directorates"]

[Text] [Question] In preparation for the 10th Party Congress, a work team of the central administration of the state-owned retail trade (HO)--supported by experienced management cadres of the bezirk [GDR administrative unit] administrations and of the Institute for Socialist Economic Management--has been testing in Halle bezirk a new state retail management system. What results have so far been achieved?

[Answer] In the state retail trade (HO), the further nationalization and concentration cannot be oriented simply toward new operational and management structures. These measures must generalize the proven and stable element, i.e. the centrally controlled state-owned retail trade enterprise in the region and at the same time aim to effect a high degree of concentration in the political, public and economic administration. This leads us to the new role of the bezirk administration (HO)--developed in the Halle bezirk administration (HO)--within the jurisdiction of a bezirk. At this stage, all the results and experience gained there must be transferred to the other bezirk administrations and retail trade enterprises. I will briefly discuss some of the most important results achieved.

The Halle bezirk administration (HO) directly controls 26 state-owned retail trade enterprises. In the supply process, this control is effected by the bezirk director on the basis of supply control regulations that are binding for all retail trade enterprises (HO).

The Halle bezirk administration (HO) is no longer an economic organ that controls transactions such as the purchasing in the wholesale trade or in the perishable goods industry and subsequently intervenes in a regulating manner. Today it directly organizes and controls this purchasing process. Thus it decisively influences the supply process and ultimately the development and efficiency in the bezirk's state retail trade.

We have made a decisive step toward centralized control of regional and multibranch state retail enterprises in Halle bezirk. Nevertheless, even for us this is only a beginning.

[Question] You pointed out that new forms and methods of management and organization in a bezirk administration (HO) of the state retail trade and the uniformly managed retail trade enterprise in the region are two aspects of the same thing. For example, how useful is the experience of that Eisenach retail trade enterprise, which the director of the firm, Dr Schmidt, discussed in detail in our journal?

[Answer] Basically, we are concerned with establishing a uniform system of management and organization of the supplies and reproduction in the state retail trade enterprise and naturally also in a bezirk administration; for example, we are concerned with the organization of purchasing, marketing, inventories and with efficiency measures in the hotel and restaurant sector.

In regard to cost-effectiveness, efficiency of commodity turnover, the gross profit rate, and labor productivity, the cooperative retail trade shows much better results than do we in the HO. In the last analysis, the reason underlying these better results in regard to economical work is the established, well-tried uniform management organization of the 198 consumer cooperatives in the kreises [kreis: GDR administrative unit] and bezirks.

The state retail trade, on the other hand, shows a great diversity of forms of management and organization--what with its 245 state retail trade enterprises. They are the cause of the growing qualitative differences and of the increasing performance drop; for the diversity impedes performance comparisons and uniform guidance. This is one of the reasons why a large number of department stores still show deficits of over M 2 per M 100 of commodity turnover, whereas quite a few department stores operate without deficits or develop within the framework of the established norms. Inexcusably, a certain bezirk--proceeding from subjective assessments--planned to establish 80 and more sales outlets in excess of the resource range stipulated.

But if we want to make the best results of today a norm for all, we must intensify our efforts to create uniform conditions for all. In this respect, the work of Dr Schmidt has greatly helped us. He created a convincing model of a multibranch, regionally controlled retail trade enterprise. As regards dissemination of these results, through our support and under our direction outdated thought patterns and management and process structures have been broken up.

Aside from the experience gained in Eisenach, we are relying on the--very similar--results obtained in Sangerhausen, Wittenberg and many other enterprises.

Essentially, the objective is to define--in a uniformly controlled, closed trade and reproduction process--all of the tasks concerning the kreis supply situation and efficient commodity turnover, and at the same time optimally to develop the internal, process-related specialization and division of labor. In this way, favorable conditions are created regarding improvement and increased efficiency of the management of supplies.

[Question] Comrade Peters, could you illustrate through a few examples the most important results obtained in the development of the Halle bezirk administration as an organ of uniform control of the supply processes and the economic operation of the state retail trade (HO)?



[Answer] The Minister for Trade and Supply has incorporated in the plans for the period from 1981 to 1985 the new tasks confronting the Main Administration and the bezirk administrations. For us in the Main Administration, the results and experience gained in Halle have produced economic and management-organizational rationalization effects, the magnitude of which has not yet been fully ascertained. I am referring here to the operations of the uniformly (regionally and multibranch) managed state retail trade enterprises in the kreises of Halle bezirk.

I am also referring to the reorganization of the capacities released by the planned concentration--which reorganization will aid the necessary improvement of supply management and of the BfR [Office for Rationalization] and the expansion of economic control and internal revision in the state-owned retail enterprises.

Finally, I am referring to the material capacities released by the implementation of the Schwedt reorganization initiative launched in Hettstedt.

These are the short-term objectives that are being more clearly defined by the Halle model. In outlining these ideas and tasks, I have not taken into consideration tasks such as the incorporation of electronic data processing and micro-electronics--i.e. systems such as the office computers exhibited at the Leipzig conference of the general directors of industrial combines.

Proceeding from the experience gained in the industrial combines, the Halle bezirk administration is developing into an organ of uniform control of the supply processes and economic operation in the bezirk-controlled state retail trade. This is demonstrated by:

- the improvements in the quality and efficiency of the supply management (which is uniformly organized down to the retail enterprises), above all the supply management of perishable goods and goods for everyday use;
- the extensive improvement of the work in the fields of science and technology and the markedly improving results in regard to socialist rationalization;
- the rapid increases in the efficiency of economic operation and control.

The Halle bezirk administration has made use of the positive experience gained in the Magdeburg, Erfurt and Dresden bezirk administrations and it has established a supply management system binding for all. The Halle bezirk administration has unified the rationalization capacities--including the Office for Rationalization and the Department for Investment Rationalization--into a centralized control organ of the bezirk director; the basic task of reorganizing the economic control of the bezirk administration and--under its direction--of organizing the economic control of all state retail enterprises has been accomplished.

In regard to costs, deficit reduction, net profit, and energy and secondary raw materials economy, this bezirk administration occupies a leading position in the state retail trade (HO), just as it does in regard to the development of purchasing and marketing.

As of 31 March 1981, the Halle bezirk showed outstanding and--in some respects--the best state retail trade results in regard to the following efficiency indicators: profitability rate, labor productivity, commodity turnover rate, and costs.

[Question] Comrade Peters, how important is the work involving the specialized directors? What is the objective of the work involving the specialized directors and why is this work so important in regard to organization and management?

[Answer] As is the case in industry, in the domestic trade sector--and thus in the retail trade sector as well--concentration and--as a result of this--improvement of the organizational forms of management and division of labor are making headway.

We opted for multibranch retail enterprises in the political region. In this process, there emerged large-scale enterprises; in a number of sectors--trade, consumer and durable goods, the restaurant and hotel business and other sectors--these enterprises require specialized, expert control.

It appears that the specialized directors in the regionally controlled multibranch enterprises have been able to meet the exacting demands in connection with the new supply management. The management input in these forms of organization has clearly been reduced and they are more effective than the previous organizational forms in the branch-specific enterprises.

The advantages offered by multibranch enterprises become fully effective through the specialized director. The former trade/cooperation sector has been dissolved. On behalf of the director of the state retail trade enterprise, the specialized directors exercise full control over the supply process. Subordinated only to the director, they control--while being oriented toward specific fields--the trade process, the cooperation and a wide scope of activities ranging from political-ideological work, commodity turnover and attainment of excellent trade-economic results to the safeguarding of order and safety in the purchasing and marketing process.

In the large-scale enterprises, the branch managers are subordinated to the specialized director.

The introduction of the specialized director in the state retail trade represents a step that has long been overdue.

In this process, the deputy sectors, which frequently were established in a routine fashion, have been eliminated in the individual sections in that they have been transformed into real fields of responsibility--both in the state retail trade (HO) and in the bezirk and main administration. In regard to improvement of the supply situation and of economic operation, the specialized directors--in their capacity as process directors--are fully responsible for the guidance, coordination and control of the preparation and implementation of the individual phases of the supply and reproduction processes.

[Question] Comrade Peters, tell us about the future developments in Halle. What is to be done in the bezirk administrations of the other bezirks? And how do the regional state organs support this process of developing modern economic administrations in the state retail trade?

[Answer] I mentioned at the beginning that the Minister for Trade and Supply submitted to the trade and supply deputies in the bezirk councils the first report on the work results obtained in Halle. The results were submitted to the bezirk

directors as well, and joint meetings have been held. The bezirk directors will submit their conception concerning implementation to the respective trade and supply deputy at the bezirk council.

To the bezirk councils and bezirk administrations, we imparted the uniform basic structure in regard to running the bezirk administration (HO) and the state retail trade enterprises (HO) and also the binding master plans for the bezirk administration (HO). The Main Administration of the state retail trade (HO) completed the list of tasks for the bezirk administrations; in particular, this list contains the new tasks concerning supply management (the work on the supply staff, the obligatory information system, the work responsibilities of the "director on duty" and of the dispatcher, the development of the specialized group work, the implementation of management functions, the collaboration with the cooperative partners), the work of the Office for Rationalization, economic control and other fields.

To insure uniform work procedures, all state-owned retail trade enterprises have been provided with the "Regulations Concerning Supply Management in the State Retail Trade."

These materials are based on the work results of the Halle bezirk administration and other bezirk administrations. Analogous materials for the state-owned retail trade enterprise (HO) are being prepared on the basis of the results obtained in Eisenach, Sangerhausen, Wittenberg and other enterprises. The experience gained in regard to management organization in the "Eisenach State-Owned Retail Trade Enterprise (HO)" has been made available to all state retail trade enterprises. Thus we are gradually establishing a uniform management and organization system in the state retail trade. The trade and supply deputies in the bezirk councils support this process by controlling the pertinent measures and plans.

The development in Halle clearly shows that the partnership between the bezirk and the administrative center offers inestimable advantages to industry, agriculture, the wholesale trade sector for consumer and durable goods and all other cooperative partners, and also to the bezirk's state organs, the chambers of industry and commerce and other political and state organs.

Thus the course to be pursued in the future is clearly outlined. In the current five-year plan period, we will accomplish the essential tasks concerning uniform management of the state retail trade; we will efficiently meet the supply targets and reduce as much as possible differences in performance. The collective of the Halle state retail trade (HO) represents an economic leadership organ capable of opening up--in collaboration with experienced leadership and management cadres of other bezirks and with our scientific institutions--new approaches regarding the organization and management of the state retail trade.

In this regard, the stable and sympathetic cooperation of the local and bezirk party and state organs in Halle bezirk is a great source of support for this development project.

The task of the Main Administration of the State Retail Trade (HO) is to plan this process, speedily to implement and test it, and--upon successful testing--to make available to all bezirk administrations the new management principles concerning the supply and reproduction processes.

IMPROVED DEMAND, MARKET RESEARCH NEEDED FOR PRODUCT DEVELOPMENT

Better Organization Needed

East Berlin DIE WIRTSCHAFT in German Vol 36 No 8, 13 Aug 81 p 14

[Article by Dr Ute Hoffmann, Foreign Economic Relations Section, Bruno Leuschner College for Economics, East Berlin: "Product Development According to Market Requirements"]

[Text] The organization of export production which brings a high profit in foreign exchange is one of the economic responsibilities of the combines. In the face of changes in the conditions of reproduction at home and abroad, they can discharge this responsibility only if they speed up scientific-technical research on a broad scale and direct it to the needs of export production. Depending increasingly on this will be whether and how the desired increase in output in our foreign trade can be realized and high foreign trade profits can be achieved.

Shaping product development to the demands of the world market includes concentrating from the outset on the requirements and need of principal buyers and assumes the selection of definite target groups. Since improvements in the economies of the user and the manufacturer are simultaneously intended to result from the development of new products, the conditions of purchase--particularly for raw materials and energy sources--are an important factor which must be considered in advance.

There can be no doubt, however, that the demands of the world market by themselves are insufficient for orientation. The objective of the process of change can only be established in combination with findings from scientific-technical research and from the production conditions of the particular combine. World market demands still have special importance, however, because the economic applicability of the results of scientific-technical progress in foreign markets depends to a large extent on a knowledge of these demands.

The decision to develop a product is always made in the light of the range of products available and is based on analyses of one's own current position in foreign markets.

Sales departments have vital tasks to fulfil in shaping product development to the needs of important buyer groups in the principal export countries. They investigate



world market requirements, among other things, and include them as important directional markers when writing the specifications for product development. Using sales concepts, they also have to ensure the timely appearance of the new products on foreign markets and high export profitability through competitive marketing.

#### Reexamine Assignments

For the present it is a matter of organizing needs and market research in the combine more rationally. A needs and market research unit, assigned to the foreign trade enterprise or the management branch of sales and foreign economic relations, depending on conditions in the combine (other assignments would be possible), has proved itself if it systematically collects all the information from market researchers and cadre working on foreign markets. It should provide accurate information about the user's requirements, the development of principal buyers' needs, current problems in product use, the development of supply and demand, trends in the scientific-technical and economic standard of the products, in quality and utility value, in service and supply of spare parts and about the conditions for realizing plans and competing in these markets. It is extremely important to work up this information according to customer groups and country; otherwise it is very difficult to shape product development to specific export goals.

Demands on the scope and concrete nature of the information also increase with respect to crucial subcontractor products, which must be available at the correct time and be of the quality required for the final product. Further thought must be given here to the type of demand research and market research that covers more than one combine.

In order to prepare decisions concerning product development, the sales departments must ensure that the crucial parameters determining utility value for principal buyers are included in comparisons of world standards, for they convey the benefit to the user and are decisive sales arguments. Furthermore, in complex comparisons of world conditions they have their own contribution to make in that they introduce information about technical-economic advisory sessions, conditions of delivery and production, customer service, requirements for packing and the availability of accessories, so that cohesive development goals can be derived for the product and for export, and so that future top-quality products can be readily sold.

Prognoses of price developments on the world market and international price comparisons, from which product costs can be calculated in reverse, are one condition for the transition from the predominant comparison of utility value to the necessary comparison of technology and economy.

#### Accurate Analysis of Need

Comparisons of world standards must be constantly updated by the sales departments during product development so that the product is internationally competitive when it appears on the market. When this is done, it is extremely important to concentrate the comparisons on definite user groups with the aim of establishing the best scientific-technical and economic solutions for the needs of potential main buyers, while maintaining the benefit for the manufacturer at the same time. "Across-the-board" comparisons of world standards must be supplemented by analyses for important



user groups in priority markets in order to establish goals that are consistent with the needs of individual user groups from the outset. An alternative way is to work up several comparisons of world standards immediately. The method selected depends on the concrete situation of the product group. It is important to recognize, however, that comparisons of world standards using a "synthetic ideal product" are inadequate. They can indicate optimal values that are of no importance to the user and consequently do not lead to appropriate profits. When accommodating definite user groups, it may turn out that they are making very different demands on the product--which is in direct contradiction to a high degree of economy in manufacturing. This can be countered by the development of basic products, which can be "equipped up or down," according to the customer's wish, or by employing the component system.

When drawing up specifications for new products, the sales departments must insist that concrete export targets be included (sales markets, principal customer groups, volume, deadline for market introduction, profitability). During product development it is their job--using their own analyses of trends in the product group, of the competition and of customer demands--to indicate possible areas of more precise definition and to insist on consistency in the interim meetings to defend their ideas.

Parallel with the individual stages of development, the sales departments must start market preparation, so that the market period can be fully exploited at the beginning of mass production.

Sales departments must influence product development in such a way that new products can have a high economic value on foreign markets. These are some of the things that will be required of them:

A much greater voice in development of the conditions of purchase and realization of plans country-by-country and in the demands made by principal customers on products and services;

A more detailed and comprehensive assessment of their own market positions;

Intensified work on sales strategy, which must be effectively linked with conceptual work on product development.

The linking of sales strategy and product development must make possible the maximum exploitation of the products' market period in the priority markets. This means that the composition of the range of exports must be such that a stable turnover with good profits is ensured and at the same time a harmonious development of new products is made possible, with a balance between targets having their economic effect over the short, medium and long term.

This requires the early integration of product and marketing work, which previously was often not undertaken until the stage of testing a working model, or even not until a new product was ready. In the interest of high export profitability, it must be brought forward to the decisionmaking phase for a new product.

## Responsibility of Combines

East Berlin DIE WIRTSCHAFT in German Vol 36 No 8, 13 Aug 81 p 14

[Article by Dr Rolf Auerswald, economist, Karl-Marx-Stadt Technical College:  
"Various Possibilities for Management of Market Research"]

[Text] In order to be able to react as quickly as possible to constantly changing world conditions, the greatest attention must be paid to market research in the combines, enterprises and foreign trade enterprises. It is necessary to adapt the management and organization of market research to growing demands. In my view, the following questions must be studied and answered:

To whom should the responsibility for market research in the combines and enterprises be transferred, and how will a hypothetical market research unit be incorporated into the management system in each instance? What will be the form of the relationship concerning the division of labor within the combines--that is, between enterprises and combine management and between combine management and foreign trade enterprise--while research on the markets is being conducted?

How will the unity of politics, economics and technology and the necessary expertise in the combines and foreign trade enterprises be ensured while the responsibility for market research is being established?

Is sufficient attention being paid to the increasingly important subjective factor in management and in conducting market research in the economic units?

Initial solutions to some of these questions have been worked out in economic research institutes in our country and partially tested in practice. It follows from our current state of knowledge that, contrary to previous assumptions and ideas, no form of market research could be found which applied to all combines. Taking real domestic and foreign conditions of production into consideration, however, recommendations for certain basic forms for possible application have been successfully worked out.

There are several variations concerning the incorporation of a market research unit; for example, it could be directly answerable as a staff group to the managing director and/or enterprise manager, the sales director or the director of purchasing and sales, the director of research and development or the director for economics. There is also the possibility of creating a group either in the area of sales and/or research and development or economics and incorporating it into the planning group of the appropriate sector.

Finally, a permanent or temporary market research group can be formed, answerable in one of the various ways mentioned previously.

The following managerial and organizational criteria form the basis for the selection of the best options:

Market research findings should be considered in the important decisions of the respective economic unit;

The management principles of democratic centralism, the unity of politics, economics and technology must be followed, and the requisite expertise and consideration of the complex character of market research must be ensured;

Market research cadre (or additional cadre recruited for this work) must be expertly trained and supervised;

Effective information gathering, storage, transmission and preparation for market research must be guaranteed;

If possible, no additional management body should be created;

There must be an efficient division of labor between the individual areas of the economic unit, the management in charge and the foreign trade enterprise.

The choice of option is also dependent on the level of qualification of the managers and their coworkers. Market research cadre must have extensive political, economic, legal, technical, technological and commercial knowledge. In addition, they require excellent knowledge of their own products and the principle users and years of experience from permanent or temporary assignment to foreign markets. If they work as traveling cadre they should speak at least two foreign languages. In the case of cadre with a university education in the areas of industrial management, economics or foreign trade, postgraduate training in market research is recommended; graduates with a technical or scientific specialization should attempt to acquire additional training in economics.

It would also be of advantage in conducting complex market research assignments if a competence in and understanding of interdisciplinary cooperation with members of other special areas and scientific disciplines were among the qualifications. When deciding whether market research should be organized on a centralized or decentralized basis, it is necessary to consider individual commodities, the organization of the economy and historical and territorial aspects. The quality and effectiveness of market research depends largely on the form of the division of labor at the time the research is being conducted. I cannot follow the view occasionally put forward in literature and practice which says that the foreign trade enterprise is responsible only for those aspects pertaining to countries, and the manufacturing economic units are responsible only for commodity-related aspects.

To avoid duplication of effort and to prevent the loss of information, it has proved beneficial in practice to transfer the principal responsibility for market research to the combine if they are single manufacturers of products or suppliers of complete installations. It is also advantageous if they distribute the end products through their own organization. The economic units in these cases are usually well informed about the development of needs and prices. The transfer of principal responsibility for market research to the foreign trade enterprise is appropriate when it is in charge of determining the range of products and fulfilling specific economic requirements.

The question of whether the work of the market research unit in the combines and enterprises will be principally coordination or broad content is also important.

The question is influenced by such factors as the specific nature of the commodity, the scope and territorial structure of exportation, the historical development of the economic unit and the quality of the management organization, the degree of subordination of the foreign trade enterprise and the situation in terms of the quality and quantity of personnel.

9581

CSO: 2300/13

## PERSPECTIVES FOR PRIVATE ENTERPRISE EXPAND

Budapest MAGYAR HIRLAP in Hungarian 11 Sep 81 p 7

[Article by Istvan Matko: "Path to Small-Scale Production"]

[Text] In our August 20 issue, we published the ~~communique~~ of the Cabinet meeting: the government accepted statutory provisions targeting the improvement of supply for the populace and the modernization of the economic organizational system. The Presidential Council law-decree of August 28 concerning the further development of small-scale and cooperative production followed. This statutory framework is designed to utilize the productive energy of society more effectively. We spoke with a representative of the National Planning Office about these partially disclosed, partially to be disclosed plans.

As is well-known, the 12th Congress formulated the objectives that it is necessary to stimulate the development of more flexible organizational forms, the expansion of services and the improvement of their quality. The newly-dated government measures date back for the most part to this ruling, the time since passed having underscored their actualization.

### The Frameworks Expanded

What is actually being addressed? It is that the interest of the above-mentioned goals, the conditions for small-scale production are growing and improving, paving the way for new forms of business operation. The scope of activity in smaller industry is changing. In the following, we outline briefly several important elements of the modifications.

It is common knowledge that while the size of economic institutions has outgrown its optimum proportions, the background industry, the sphere of small businesses capable of limited profitable production, is missing. Therefore, there can be no other solution than the expansion of appropriate background industry, the strengthening of small-scale enterprise and the promotion of its development. The new rules follow this important goal in part.



Appropriate conditions must be created for the formation and management of the newly-formed small businesses, which fill the gaps in the economic-industrial system. The statutory provision that small businesses can operate in a simpler organizational, auditing, and records-supplying system is a solution targeting this need. The businesses can decide for themselves the makeup of their reserve, technical, and guarantee fund, and furthermore, the formation of a welfare and cultural fund will not be required on their part. The simplicity of their administration will make their strengthening possible: their annual obligation to supply records will be significantly less than that of traditional businesses; for instance, they will keep 73 percent fewer chief ledger accounts. Their order of establishment and operation will be the same as that of other businesses. (However, businesses performing consumer services will work in a gross-earnings tax system.)

Small businesses can also come into existence either by breaking away from some large organization as in individual factory or industrial plant, or by a subsidiary separating from the parent company. In any case, the founding organization determines the activity of the small business, as well as the necessary staff and the initial wage fund.

A new form similar to the small business is the small cooperative, which is founded on the initiative of its members, primarily for the expansion of services. The members take part in the management as owners in accordance with cooperative principles, and a large part (or in some cases all) of the financing needed to start off the cooperative comes from the stock subscriptions of the members. Personal income can only be guaranteed to the amount of the required minimum wage, and only a small number of employees may receive guaranteed minimum wage. At such small cooperatives, the members accept a much higher risk, and thus may also decide themselves what to do with their collective income: how much to turn towards development, and how much to pay those who participate in the work.

Specialized industrial and service groups can be formed within the framework of existing cooperatives, in accordance with the new laws. These will enjoy relative independence concerning their activities and property. Their relationship and division of labor with the parent co-operative will be regulated by a separate agreement. It is an interesting feature of the regulations on specialized groups that these increase the opportunities for the already functioning specialized groups in agriculture. Until the present, the establishment of specialized groups was only possible within the agricultural producer cooperatives and the general consumer and marketing cooperatives. In the future, this will extend to state farms and to economic associations and enterprises, operating within the framework of agricultural regulation.

#### Risk and Responsibility

As is stated in the cabinet's decree published in the September 5 issue of the HUNGARIAN GAZETTE: "The specialized group is not exclusively of an agricultural nature, but industrial, construction, production and servicing groups can also come about." The economic activity of these specialized groups is primarily directed towards services and production for the populace, as well as the

manufacture and services necessary for the activity of the co-operative or other economic units. A specialized group is not a legal entity, but an "independent accounting organization of citizens with certain self-governing rights and economic independence, working in the framework of a co-operative."

Similarly to the preceding, the new business work communities will not be legal entities; a business work community is an association of private individuals with civic rights. These can be established independently or through attachment to a state economic organ, primarily for the improvement of services and supply. Inasmuch as it is founded by an enterprise, it may work as the business work community of that enterprise, and in this case it may use the capital equipment of the enterprise in unused work time. Only workers of the firm and retirees may participate. The firm owes financial responsibility for their activity. Industrial cooperatives and the industrial sections of agricultural producer cooperatives will have the option of instituting a system of lump-sum payment. In state economic organizations--as in retail and catering--a means for the introduction of contractual operation is opening.

#### Less Restriction

The expansion of the scope of private business is necessary because these new forms are still inadequate for fulfilling some tasks of production and service. Then again, these measures serve the purpose of aligning the conditions of operation of small industry to that of other small-scale works. The previously quoted Presidential Council orders of August 28 restate the provisions dealing with small industry. (The decree number 14 of 1977 concerning small industry was modified by the decree number 16 of 1981. The main element of the new law appearing in the September 9 issue of the HUNGARIAN GAZETTE is that it invalidates certain earlier restrictions which made the fulfillment of certain real needs more difficult.

It is also a new element that the goal of small industry, besides the fulfillment of consumer and service demands, is small-scale production. Thus, within a certain circle, small industry will be able to practice commodity production. Further modifications have been made concerning who may become a tradesman.

In the future, it will be possible for cooperative members and retirees to step into work with independent tradesmen to fulfill societal demand. Previous permission from the employer or the leadership of the cooperative is not necessary. The previous order, in which the granting of a trade license was judged by the authorized body of the council, has been changed. In the future, for the advancement of the industrial competition, citizens will receive the opportunity for small industrial operation without prior deliberation, provided they meet certain statutory conditions and their work is not incompatible with their primary occupation. Another possibility worth noting is that, with the exception of the food industry, the tradesman will--in addition to employees, helping family members and skilled workers--be able to hire out-workers.

### Besides the Main Occupation

The circle of tradesmen and retail merchants is touched by a modification concerning transport of products. According to this change—which expands Cabinet decree 3/1980 (II.6.)—opportunities for private hauling services are expanding. In essence, a private individual may undertake the transportation of goods or taxi services as a small business activity. Hauling tradesmen may operate a vehicle of up to five tons carrying capacity. If, however, the tradesmen transports heating oil or propane-butane gas to houses, he may operate a truck for this specific work in addition to his personal vehicle. For those that perform transport services after work hours (employees, cooperative members, retirees,) as well as for those authorized for hauling as a second small business, the decree permits the operation of a vehicle of up to three tons carrying capacity. Private taxi operators may keep one passenger car in service.

The new forms expand occupational possibilities; in addition to a main occupation or pension, one can be employed in the framework of a second position, a secondary occupation or a membership, or one can work as a private tradesman. Tax stipulations are also being modified in response to this regulation. According to the received report, the new provisions concerning the new forms will be instituted gradually through October, 1981, and the decrees will come into effect beginning January 1, 1982.

9890

CSO: 2500/392

## CEMA MEETING ON TECHNICAL, MATERIAL SUPPLIES HELD

AU171910 Bucharest AGERPRES in English 1835 GMT 17 Oct 81

[Text] Bucharest, 17 Oct (AGERPRES)--Over 13-16 October 1981, Bucharest was the venue of the 12th meeting of the CEMA committee for collaboration in the field of technical and material supplies, participated in by the heads of central bodies of technical and material supply of the CEMA member countries. The committee examined and agreed upon a series of concrete actions meant to lead to a deepening and improvement of collaboration among the CEMA member countries in the field of a rational and more efficient use of the material resources, of turning to the economic circuit and of better capitalizing the reusable materials, of improving the packing and storing the goods.

The committee also adopted programmes of multilateral collaboration in problems of wide economic interest, among them: the expansion of production and area of use of semi-killed and low-alloy steels, the replacement of steel tubes by non-metallic ones, the reduction of tin consumptions.

The participants in the meeting examined the implementation of certain actions stipulated by the special long-term programme of collaboration in the field of energy, fuels and raw materials as well as the results of the mutual exchange of supernumerary goods among CEMA member countries, completed in excess of the stipulations of the trade agreements, the sides agreeing upon adequate measures for intensifying collaboration in these fields.

Signed were the conventions of technical and scientific collaboration for reducing the consumptions of fuels during transport and storing as well as for expanding production and for using pig iron with graphite nodules.

The committee adopted its plan for the 1982-1983 period.

The proceedings were presided over by Ion Patan, deputy prime minister of Romania, minister of technical and material supply and control of the fixed assets administration. The meeting passed in an atmosphere of friendship and full mutual understanding.

CSO: 2020/7

## BRIEFS

IRAQI MINISTER OF STATE VISITS--Bucharest, 19 Oct (AGERPRES)--On 19 October, Cornel Burtica received Hashim Aqravi, minister of state in the government of the Republic of Iraq, now visiting Romania for the Bucharest international fair. During the interview, questions were approached of the manysided development of the Romanian-Iraqi economic cooperation and of expanding the commercial exchanges between Romania and Iraq. [Text] [AU192027 Bucharest AGERPRES in English 1930 GMT 19 Oct 81]

COLOMBIAN TRADE OFFICIAL RECEIVED--Bucharest, 20 Oct (AGERPRES)--On Tuesday, 20 October, Cornel Burtica, Romanian deputy prime minister, minister of foreign trade and international economic cooperation, received (Ruben Dario Lizarralde M.), deputy minister of economic development, co-chairman of the Joint Romanian-Colombian Commission of Economic and Technical-Scientific Cooperation. During the interview, the good relations were highlighted of friendship and collaboration established between Romania and Colombia, the decisive role the understandings covenanted at top level had in this respect. Possibilities were also analyzed of intensifying and broadening bilateral cooperation, of developing the commercial exchanges between the two countries. The same day, the proceedings of the fifth session of the Joint Romanian-Colombian Commission of Economic and Technical-Scientific Cooperation concluded. The co-chairman of the commission, Alexandru Margaritescu, minister secretary of state at the Ministry of Foreign Trade and International Economic Cooperation and (Ruben Dario Lizarralde M.) signed the protocol of the session which stipulates concrete measures for increasing and diversifying commercial exchanges and economic cooperation, in machine building, energy, mining and petrochemistry in particular. [Text] [AU202139 Bucharest AGERPRES in English 1930 GMT 20 Oct 81]

GDR, BRAZILIAN, SFRY OFFICIALS--Bucharest, 23 Oct (AGERPRES)--Cornel Burtica, Romanian deputy prime minister, minister of foreign trade and international economic cooperation, received successively Dietrich Lemke, deputy minister of foreign trade of the German Democratic Republic, and Elieser Batista, president of the "Vale do Rio Doce" state company of Brazil, and (Petar Dodik), president of the managing board of the "Zenica" metallurgical combine of the Socialist Federal Republic of Yugoslavia. Questions were approached on the growth of Romania's commercial exchanges with those countries, the development of collaboration between foreign trade firms and enterprises of Romania and of the respective countries. [Text] [AU232020 Bucharest AGERPRES in English 1942 GMT 23 Oct 81]



DINCA CONFERS WITH IRAQI MINISTERS--Baghdad, 16 Oct (AGERPRES)--Ion Dinca, member of the Executive Political Committee, of the CC of the RCP, first deputy prime minister of Romania, chairman for his country of the Joint Romanian-Iraqi Governmental Commission for Economic, Technical-Scientific Cooperation and Trade met in Iraq Taha Yasin Ramadan, member of the Revolutionary Command Council, first deputy prime minister of Iraq. During the interview, mutual satisfaction was expressed at the ascendent course of the Romanian-Iraqi relations of friendship and collaboration and the joint wish was highlighted to steadily expand and diversify the fruitful cooperation between and in the interest of the two countries and peoples, in keeping with those agreed upon between President Nicolae Ceausescu and President Saddam Husayn. The interview was attended by Hasin 'Ali, member of the Revolutionary Command Council, deputy prime minister, minister of trade, chairman for his country of the Joint Romanian-Iraqi Governmental Commission. Ion Dinca also met Sa'dun Ghaydan, deputy prime minister and minister of transport and communications, Taych Abd al-Karim, minister of oil, and Fahir al-Tawfiq, minister of industry and minerals. On that occasion, highlighted were the possibilities for bilateral collaboration in transport, oil drilling and processing, industrial buildings, building materials, electrification and housing construction. [Text] [AU161810 Bucharest AGERPRES in English 0945 GMT 16 Oct 81]

BURTICA RECEIVES SYRIAN TRADE OFFICIAL--Bucharest, 22 Oct (AGERPRES)--Cornel Burtica, deputy prime minister of foreign trade and international economic cooperation, received on 22 October Dr (Taha Bali), deputy minister of economy and foreign trade of the Syrian Arab Republic. The good relations of friendship established between the two countries were highlighted as well as the role of the understandings covenanted during top-level talks in the expansion and diversification of the Romanian-Syrian cooperation on multiple planes. Questions were also approached regarding the possibilities of further developing economic cooperation to mutual interest, of expanding the commercial exchanges between the two countries. [Text] [AU222103 Bucharest AGERPRES in English 1940 GMT 22 Oct 81]

ANDREI RECEIVES BRAZILIAN TRADE OFFICIALS--Bucharest, 23 Oct (AGERPRES)--On 23 October, Stefan Andrei, Romanian minister of foreign affairs, received Ivan Velloso da Silveira Batalha, head of the European Department of the Ministry of External Relations of Brazil, co-chairman of the Joint Romanian-Brazilian Commission. During the interview the good relations of friendship were emphasized existing between Romania and Brazil, the decisive role the understandings covenanted during the summit visit to Brazil played in the development of bilateral relations and of economic exchanges in particular. Aspects were also approached of the Romanian-Brazilian collaboration on an international plane. On Friday, Stefan Andrei received Elieser Batista, president of the Brazilian "Vale de Rio Doce" Company, now visiting Romania. Aspects were approached of the further development of commercial exchanges and of the Romanian-Brazilian economic cooperation. [Text] [AU232012 Bucharest AGERPRES in English 1938 GMT 23 Oct 81]

IRON ORE FROM INDIA--Uzinexport and Mineralexport in Romania have signed a contract with the Indian company Kudremukh Iron Ore Company for the establishment of an iron ore extraction operation in India in Mangalore worth 93 million dollars. Romania will import improved iron ore, up to 1 million tons annually. In June, India delivered 40,000 tons of iron ore to Romania. [Text] [Paris BULETIN DE INFORMATIE PENTRU ROMANI IN EXIL in Romanian 16 Oct 81 p 7]

## LACK OF FUEL IN MACEDONIA REPORTEDLY AFFECTS SOWING

Skopje NOVA MAKEDONIJA in Macedonian 18 Oct 81 p 2

[Article by Branko Trickovski]

[Excerpts] If the vice president of the Executive Council of the Assembly of Macedonia, Vasil Tudzarov, says that the supplying of the Republic with oil is not affecting the carrying out of the fall sowing, but the directors of many agricultural combines state that the irregular supply of operating fuel is a serious obstacle to the normal development of the sowing work, then it is clear that there is something wrong in the process that begins with the oil storage tanks and ends with the tractors in the field. In other words, in the relationship between Makpetrol and the farmers.

Saltir Mitrov, director of the Ovce Pole ZIK [Agro-Industrial Combine] stated at the last meeting of the executive council of the Makedonija ZZPK [Associated Agricultural Food Combine], that the combine is receiving only 50 to 80 percent of its daily needs for oil and that the supplying of the private agricultural producers is even worse. At the same meeting the director of the Kumanovo ZIK, Aleksandar Jankovski, said that his combine is not being regularly supplied with oil from Makpetrol and that he is using his own transport means to carry fuel from Skopje. This picture of an unfavorable situation was also the conclusion of a report from the information office of Makedonija ZZPK which stated that the irregular supply of oil in some districts (Kumanovo, Prilep, Strumica and others) has led to a halt in the work. This was what was stated in the information given at the official conference and in the official document and it is difficult to doubt its credibility.

The deputy to the general director of Makpetrol RO [Work Organization], Trpe Stefanovski, denies these statements. According to him, the only thing that is correct is that the Kumanovo organization transports its own oil from the depot in Madzari. There is oil, he says, and a tanker with additional quantities is already on its way.

So far the tractors have not halted because of a lack of operating fuel, because Makpetrol is regularly supplying the agricultural organizations with 1-day needs for oil. This restriction was introduced in order to prevent the heretofore prevalent efforts by the organizations to create reserves. As far as the private sector is concerned, Stefanovski said that due to the seasonal character of the work it is irrational for the Skopje organization to build auxiliary

distribution depots. On the other hand, the agricultural organizations are avoiding taking on the responsibility of supplying the private producers from their depots. Thus, they are left to supply themselves from the gasoline pumps. The deputy to the general director said in conclusion that the agricultural organizations that do not regularly pay for their oil will no longer be supplied.

The contradictions between the statements of the Makpetrol representative and the representatives of the combines is striking. Analysis of the performance of the sowing will probably answer the question of who is right. Right now, instead of this answer, we will say that if the fall sowing is at the top of the list of priority tasks to be accomplished in this period, then greater quantities of operating fuel for the agricultural machinery should be able to be obtained even at the expense of some other activities. This is the meaning of the "priority" status, that it must be carried out through the coordinated action of the Coordinating Council for Completing the Fall Sowing, the competent republican secretariat, the Chamber and, of course, the combines and Makpetrol.

CSO: 2800/48

## YUGOSLAVIA

### YUGOSLAV-HUNGARIAN TRADE, COOPERATION

Belgrade PRIVREDNI PREGLED in Serbo-Croatian 25 Sep 81 p 3

[Article by Mladen Baclic]

[Text] Bilateral trade is 25 percent greater than last year. Transactions worth 500 million dollars have been concluded, which is about 80 percent of the anticipated volume for this year.

As in previous years, Hungary is among Yugoslavia's trade partners that have seen an increased volume in foreign trade. For the first 7 months of the year, trade between the two countries totalled 300 million dollars, which was 25.8 percent more than last year. Exports worth 138 million and imports of nearly 162 million dollars are nearly 26 percent more than the results of last year for the period. The trade deficit, however, has also grown, and is about 5 million dollars more than at the end of 1980.

In relation to planned deliveries, in the first 7 months 47.5 percent of goods planned for foreign trade were actually exported, while imports have surpassed 51 percent of the total planned for this year. It is encouraging that exports have been growing monthly at an annual rate of nearly 27 percent, while imports increased at 17.9 percent, significantly more slowly than exports. This has resulted from the fact that most Yugoslav enterprises that trade with Hungary have adhered to the established principle that every import should be covered by corresponding exports.

#### Exports of Equipment Have Been Greater Than Imports

According to data of the Joint Economic Office in Budapest and of labor organizations, in the first 7 months transactions worth 500 million dollars and more have been concluded with Hungary; this is 79 percent of the total volume anticipated for this year, and this volume can be considered satisfactory. By the end of July, exports worth 270 million dollars were contracted (85 percent of the total anticipated for this year), while agreements for imports from Hungary totalled 230 million dollars, nearly 80 percent of the planned value amount.

Yugoslav exports show a satisfactory volume of concluded transactions for machinery and equipment, but what is most important is that most of the agreements

are for cooperation. There are also favorable amounts of trade in ferrous and non-ferrous metallurgy, chemical and pharmaceuticals, wood products and cellulose, and in retail border trade. There are, however, lags in agreements for the export of cable products, coke, non-metals, building materials, and agricultural and processed food products.

The trade deficit, which reached 23.2 million dollars at the end of July, resulted largely from increased imports of chemical products and mineral fertilizers, edible oils, and fuels from Hungary, even though the deficit was partly covered by Yugoslav exports. Exports lagged in raw materials, cellulose products, coke, oils, lard and chemical products, and these shortfalls also contributed to the trade deficit.

At the recent meeting of the Executive Council of the Hungarian Section of the Yugoslav Economic Chamber, it was noted that at the moment exports of cellulose are unsatisfactory because of late deliveries of trees for cellulose from Hungary. The shortfall in coke deliveries results from restricted possibilities for using the coking plants for processing coal from other countries. Exports of oil and lard have completely stopped, while imports of edible oils are taking place on the basis of intervention arrangements.

#### Successes in Retail Border Trade

To this it should be added that exports of machinery and equipment this year were greater than imports for the first time in six years. Nevertheless, the performance in this sector was also unsatisfactory. The reasons for this is that only in April was the agreement for cooperation in the motor industry registered with the Federal Committee for Energy and Industry, so that that agreement became effective late. Furthermore, it calls for about 50 million dollars in trade, instead of the planned 80 million dollars.

This year, retail border trade with Hungary has registered good results. In the first 8 months, transactions worth about 82 million dollars were concluded, with 35 million in exports and 36 million in imports. Actual volume for the 8 months was more than 31 million, with 15.7 million dollars in exports and 15.9 million dollars in imports. Although this form of trade has been accompanied by corresponding difficulties this year, it is expected that retail border trade between the two countries will surpass last year's total of about 40 million dollars in both directions.

It was also noted at the Hungarian Section Executive Council that trade results by the end of July this year show the need for more flexibility in this trade relationship, particularly concerning exports. This is even truer since there are still many requests for imports without corresponding export conditions from Yugoslav economic organizations that are import-oriented. This concerns petroleum processing, oil producers, sugar refineries, and aluminum processors. If these requests were approved, they would seriously threaten the results that have been achieved in the first 7 months. The Section warns that as a rule, such import requests can expect intervention by the responsible federal agencies. At the Section, they say that this manner of operation by certain organizations



facilitates easy income, which in a way is seeking favored treatment over the great majority of organizations that are exerting extraordinary efforts to cover their imports by their exports.

It is expected that support for exports will also be aided by the reorganization of the system of representatives in Hungary. A definitive decision will be made on this action after debate in the Section, by the Coordination Council of the Federal Executive Council for the Organization of Foreign Trade Activities. Delegates to the Section's Executive Council have been informed that of 36 commercial units of Yugoslav organizations with offices in Hungary, only 13 are fully adhering to the criteria for continuing their operations. That means that they are the only ones that have a high degree of operational effectiveness. The other commercial offices will either have to adjust to the criteria set forth by law, or cease their operations in Hungary and be removed from the register of such operations kept by the Federal Secretariat for Foreign Trade.

The possibilities for further expansion of trade between the two countries will be discussed at the session of the mixed Yugoslav-Hungarian committee for economic cooperation, to be held at the end of October this year in Belgrade. It is expected that topics will include further development of specialization, cooperation, and other forms of long-term arrangements, which already account for a high 40 percent of total trade. Another topic will be the more rapid expansion of shipments in both directions through forms of retail border trade.

12131

CSO: 2800/21

## YUGOSLAVIA

### FACTORY DIRECTOR DISCUSSES SELF-MANAGEMENT PROBLEMS

Zagreb VJESNIK in Serbo-Croatian 26 Sep 81 SEDAM DANA supplement p 9

[Interview with Ivan Sifter, chief director of the Zagreb pencil factory, by Ivo Jakovljevic, Vjesnik reporter; date and place not specified; title of interview, Boomerang of the Unstable Measures]

[Text] [Answer] Today the whole socialist world is in a crisis. A long time ago, Marx himself asserted that victory can only be achieved by the social system that opens up the most room to maneuver for the development of productive forces, and thus the one with the highest labor productivity, not any individual productivity, but the general social productivity. Thus, as a world process, socialism can overcome the capitalist method of production only through higher productivity. Unfortunately, for now our economic system is losing in this worldwide competition and is not providing the expected result. This is why we are in a crisis. We are encouraging idleness, and as an entire society we are paying very dearly for this. At the same time we have become sort of fanatics about standardizing social relationships, and in doing so we are almost completely neglecting our own human and economic potential. Our economy, science, politics, and practical behavior have disintegrated, and this is now coming back to us like a boomerang, and we are paying for it.

[Interviewer Comment] This is how Ivan Sifter, the chief director of the Zagreb Pencil Factory, answered our first question: What has been happening in recent years with the Yugoslav economy?, in a conversation with which we are continuing a series of interviews on the current political and economic situation in Yugoslavia. We expected a sharp start, of course, and we now continue with the questions:

#### The Working Class Is Paying The Bill

[Question] Like the riddle about what came first, the chicken or the egg, it is often asked whether in Yugoslavia the economy is at the service of policy, or policy is at the service of the economy? And who has recently been shaking the ground under our feet: poor behavior by the workers, an irresponsible attitude by people toward their work, from the base to the federation, or are the roots of our instability in the economic system itself and in our economic policy?

[Answer] It would be logical for our policy to be only a reflection of and a means of realizing the country's common economic interests, and thus, for the economy to drive the policy. But it seems to me that our practice is entirely the reverse, and that we are advancing our production relationships but neglecting our production forces, and even that in part our standardized production relationships, no matter how idyllic they appear on paper, are ruining our country's production potential. The influence of policy is strong. In the development of production relationships, it is almost harming the production forces. And this is our great illusion.

[Question] Production forces are to some extent an ambiguous concept. Thus, what does such a political tendency mean for the political and economic position of the working class of Yugoslavia? How much is it benefiting it, and how much is it harming it?

[Answer] Production forces really are a broad concept, but it is obvious that they will be developed freely and successfully only if the ruling class has the best possible motives. We assert that here it is the working class, although we argue about this concept itself and its definition remains for the most part hazy and unclear. I feel that the workers are all those members of our society who according to the legal regulations do not have to regularly receive a personal income, who can only receive what they have earned, but in that case this means everyone, from the doorman to the director. Thus, the working class in this country consists of those who share a common economic fate in common work and under identical conditions of economic activity. But these are not all of those employed, especially not outside the economy. It is obvious that today those in the superstructure do not share a common economic fate with the base, and thus the present means of expropriating income from the producers in Yugoslavia is also a purely class relationship. With such a relationship of forces, of course, those who live by working have the worst time of it. They are paying the price of stabilization.

#### Between Ignorance and Demagoguery

[Question] Does this mean that we are constantly going around in circles?

[Answer] Without doubt, we are building a new social system, a self-managing system, without any experience. Our self-management is self-taught, and it furthermore still has an insufficient scientific basis, while in practice it is being introduced without standards of behavior and [without] the rules of the game, because "everything is specific." It is for the time being a politically improvised system, organizationally fragmented into autarchic OOURS [basic organizations of associated labor]. We have also neglected dialectics. Many people do not realize that in the development of society, nothing lasts forever. Errors and blunders have a lawful right to existence, because they too are of use in arriving at the real truth. But today in Yugoslavia, ignorance has been dominant, powerfully assisted by demagogic improvisations. We are not providing answers to the unresolved issues. Others are building power, therefore, on our weaknesses. Furthermore, we are continually worrying about the rich, but unfortunately, not about the poor as well. We are forgetting that no one has

ever built a wealthy state, especially not socialism, with a poor people. We are afraid to pay workers and reward innovations, and we are paying a great deal for obsolete foreign licenses.

[Question] We have been developing and studying self-management for a full thirty years. At the same time, the curve of our economy's productivity, as the most sensitive index of the system's effectiveness, has seen both better and worse days than now, when it is obviously stagnating with a downward tendency. Does this mean that today self-management is also stagnating?

[Answer] Well, one of the main goals of our self-management is a high social labor productivity, but unfortunately, many people have not yet realized this. There are those who even today think that self-management is a means for the workers' struggle to "seize power" from the director. If this were true, we would settle it very quickly by abolishing the function of director. But self-management is, fortunately, an entire social relationship, namely the relationship of the producers to the state, and the more [societal] functions there are in associated labor, the more self-management there is. On the other hand, whenever the functions of the state are expanded, self-management is weakened, but this is not its [self-management] crisis, but rather a crisis in the concept of development, and with respect to its extreme results, a crisis of etatism. We are realizing, finally, that every state restriction in the economy means receivership for self-management.

#### Let's Get Rid of Empty Slogans

[Question] Then it is not a coincidence that our productivity is stagnating and falling side by side with a strengthening of the state, especially recently?

[Answer] Naturally, since we do not have a council of associated labor in the federation, the conditions for economic activity are largely set for us by the federal and other administration. It is interesting, therefore, that allegedly the administration is ready [mature enough] for this and the workers are not! Obviously, in the last thirty years the effect of the power of officials in this country has rarely been as strong as it is today. And it really is questionable that some people determine the conditions of economic activity for others, whose problems they actually know little about, and that at the same time some do not share a common economic fate with the others. We claim that the worker should control production and we spend years and years striving for this. But I am certain that we would solve the majority of our problems in only one year if we determined by law that employees in associated labor should decide themselves about the distribution of the entire income for general, joint, investment, and personal expenditure. It is high time for us to get rid of empty slogans, discussions, and resolutions.

[Question] Our economy can be highly productive only if it is unified and if the conditions for economic activity in the Yugoslav market are uniform, or at least stable for a longer period. Isn't stagnant productivity only one more proof that our economic unity has been seriously disrupted?



[Answer] Our economy has really been fragmented by the formation of organizations of associated labor (although it has had many positive aspects), and then further divided by several unstable measures of economic policy; this, along with partially stated legal solutions, especially literal application of the balance of payments positions of the republics and provinces, has completely divided the Yugoslav economy. With such an economy, naturally, one cannot compete successfully in the world market. It is necessary to re-examine the law, economic policy, and the attitude toward labor in each place.

Why Do Even Those Who Work Little?

[Question] Low productivity, under the guise of high inflation and a payments deficit in foreign trade, has, through the above-mentioned causes and consequences, put economic policy in the position of a fireman, for whom the water could finally run out, that is, the paper for printing money. What then are our chances of putting out these fires through better work, more exports, and profitable investments?

[Answer] I maintain that prices cannot be set by law. That is nonsense. Prices must be coordinated as part of the entire economy, and not individually. And not when there is a fire, but in advance, in a planned manner, and at least for a year. Such a plan should be based on the balances of exports and imports and investments, and, while taking into account market criteria and productivity, it should do away with the disparities among prices. On this basis it is possible to control prices and to establish responsibility for carrying out the control. Thus we would also find a solution to a considerable part of the domestic causes for the constant weakening of our competitiveness in exports.

[Question] But exports, at least, we should really increase even before the end of the year, and especially next year. Then what about the exchange rate of the dinar, incentives, and the importation of capital goods?

[Answer] I propose that, as is done elsewhere in the world, exporters be encouraged by a realistic exchange rate and release from the payment of import customs duties and taxes, that budgets be financed by taxation, and that general consumption be reduced in accordance with the realistic possibilities of the economy's income. I also propose that we prohibit the importation of everything that this country has, and that we work out a program for prohibiting the importation of everything that we can have (for example, food). In doing so I would not restrict the importation of capital goods. We must drastically reduce the number of our trade and even diplomatic representations abroad. The fact is that our expenditures for business trips abroad are almost twice as much as our foreign currency income from tourism!

[Question] But the number of nonessential administrative posts in Yugoslavia is even greater, while unemployment is increasing again. Isn't this also a consequence of the non-self-managing concept of development?

[Answer] According to one calculation, in our economy today there is a surplus of a million employees in so-called management! At the same time, according to an analysis by the Ljubljana Economic Institute, we could employ another 1.5



million people just in handicrafts, with relatively small investments. Let us recall that Yugoslavia only has four percent of its able-bodied population employed in handicrafts, while Japan, for example, actually has 46 percent. There are great chances for employment (again) in agriculture, where we have unused arable land, but we are importing food, although we could become exporters of it. Our chances are in tourism. Our chances are in a general increase in productivity, but for this we must begin to value labor, and pay realistically for every domestic invention. Yugoslavia pays 30 billion dinars in foreign exchange each year to import foreign expertise, while we consent to various restrictions in our exports and business policy. Our inventors are therefore selling their patents abroad, in order for us to import them later on. But this is absolute nonsense. We must pay for the productive work on which this country lives. And all of those in the superstructure must share the fate of the base, yet now this is not the case.

[Question] Last year, at the Fifteenth meeting of the Central Committee of the League of Communists of Yugoslavia, and this year at the Third Congress of Self-Managers, it was explicitly concluded that in development and economic policy and in the economic system in general we must "respect economic legality" and guide self-managing development in a planned manner. But with how many markets and how many plans?

[Answer] In practice as well we must decide whether we will recognize the market as advancing the capable ones and eliminating those who do not work or do not know how this is done. We must give business organizations economic freedom, in which it will be entirely logical for the losers to be driven to bankruptcy or liquidation. When everyone knows that the economy is not a social affair but a serious and responsible job, then we will be forced to encourage work and punish idleness. On this basis, the plan, as an agreement among economic entities, becomes the main landmark for society, from the basic organizations of associated labor to the federation. Economic policy on this basis will have to take into account first of all standardization of the conditions for economic activity, and not "feeding" the budget. One will be held publicly responsible if the plan is not carried out, and the mandated of elected officials will be linked to the goals of the plan.

[Question] Whoever determines the conditions for economic activity is responsible for the economic situation in any case. What is your view of the position of the federal government in our self-managing system today and tomorrow?

[Answer] The Federal Executive Council, because of its position in the system, is undoubtedly responsible for Yugoslavia's economic situation, especially today, when many measures of economic policy have essentially disrupted the unity of the market, and finally self-management as well, as the fundamental social relationship. Thus, today and in the future, we must link the mandate of the federal and any other administration directly to fulfilling the plan. By the way, Yugoslav associated labor needs a government that will reflect its interests, and not only the interests of the republics, provinces, of communes, all together. In any respect we must create a climate of community, agreement, and labor, because only in this way can we achieve the optimum formula for the

economic unity of the country on a self-managing basis, and in general, higher productivity.

[Question] What about stabilization?

[Answer] The new five-year plan seems to me to be more of a rehabilitation than a stabilization document. At any rate, stabilization is possible only when it is a question of poor behavior in the economy, lack of discipline, etcetera. But for the correction of many of our differences in the conditions of labor and the economic system, what we need is reform.

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